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FINANCIAL TIMES

Friday May 1 1992 | EUROPE'S BUSINESS NEWSPAPER | D 8523A

Kohl seeks pay restraint to preserve unity

German chancellor Helmut Kohl, facing nationwide strikes and a fractious coalition government, appealed to western German workers to restrain wage demands in the interests of German unity. As the public sector strike eased, with public transport resuming in some areas, Kohl told his coalition partners to stop squabbling and get on with the task of government. Page 16

Lower losses for Chrysler: Chrysler, financially stretched US carmaker, reported lower first-quarter losses of $231m, down from $341m in the same period of last year, and said the results were held back by the cost of crucial new product launches. Page 17

Talks deadlocked: Rival leaders of Bosnia-Hercegovina remained locked in conflict in European Community-sponsored talks in Lisbon as fighting again shook the republic. Page 2

China holds Europeans: China detained seven Europeans, including three legislators, after they staged a brief protest in Tiananmen Square, Beijing, site of the 1989 pro-democracy protests. They were expected to be expelled from China today. Page 6

ICI bucks the trend: Amid falling results in the European chemical sector, ICI of the UK announced first-quarter pre-tax profits 7 per cent stronger at £212m. Chairman Sir Denys Henderson reported signs of recovery in the US and UK, particularly in housing, consumer products and textiles. Page 18; Lex, Page 16

Black Sea talks adjourned: Russia and Ukraine agreed to take the heat out of their dispute over the Black Sea fleet, but remained far apart on how to share it. Delegates said they would form working groups and meet again in May. Russian warning on nuclear pacts, Page 3

Promise of democracy for Sierra Leone

Mutinous soldiers in Sierra Leone said they had toppled President Joseph Momoh (left) and their leader, Lieutenant Colonel Yaya Kanu promised a return to democracy. The soldiers said they had set up a national provisional defence council. Momoh fled to neighbouring Guinea

Statoil profits down: Statoil, Norwegian state oil company, said first-quarter net profit was nearly halved to NKr800m ($124m) from NKr1.5bn last year due to lower crude oil prices and pressure on operating margins. Page 21

UK companies at the top: British companies are top foreign investors in east Germany, having bought 66 companies since 1990, according to the Treuhand privatisation agency. French companies lead by size of investment, having promised to commit DM2.3bn ($1.4bn) to their acquisitions. Page 2

Congress plans curbs: US Congress is preparing to curb its own most important power, to decide on taxation and expenditure, by trying to amend the US constitution to ban budget deficits. Page 4

Germany and Japan seek bigger roles: Germany and Japan agreed they should play a greater part in international politics, in keeping with their economic importance. Page 2

Fisons plans restructure: Fisons, diversified UK pharmaceuticals company, is offering its horticultural and consumer health businesses for sale as part of a fundamental restructuring. They are expected to fetch between £250m ($443m) and £300m. Page 17; Lex, Page 16

Nato's new commander: Nato announced the appointment of US general John Shalikashvili as commander of its forces in Europe. Page 3

ENI's profits halved: ENI, Italian state energy and chemicals group, saw consolidated net profits halved in 1991 to L1,081bn ($869m). The company blamed a sharp rise in depreciation and amortisation costs resulting from increased investment. Page 17

Hachette shares suspended: Shares of French publishing empire Hachette and electronics and defence group Matra were suspended on the French stock market pending the announcement next Tuesday of their proposed merger. Page 17

Kinnock may stand: UK opposition Labour party leader Neil Kinnock, who is to stand down in July, is considering standing for the presidency of the Confederation of Socialist Parties in Europe, due to be vacated by Belgium's Andre Spitaels next month. Page 9

The Markets

■ STOCK INDICES		
FT-SE 100	2,664.1	(−10.8)
Yield	4.58	
FT-SE Eurotrack 100	1,174.96	(+0.37)
FT-A All Share	1,282.75	(−0.3%)
Nikkei	17,390.71	(−136.69)
New York lunchtime		
Dow Jones Ind Ave	3,348.17	(+14.98)
S&P Composite	413.76	(+1.74)
■ US LUNCHTIME RATES		
Federal Funds	3¾%	
3-mo Treas Bills: Yld	3.766%	
Long Bond	99%	
Yield	8.036%	
■ LONDON MONEY		
3-mo Interbank	10¼%	(Same)
Liffe long gilt future	Jun 98⅛	(Jun 98¾)
■ NORTH SEA OIL (Argus)		
Brent 15-day	$19.675	(19.2)
■ Gold		
New York Comex May	$337.6	(336.1)
London	$338.5	(335.95)

■ STERLING		
New York lunchtime:		
$	1.776	
London:		
$	1.7745	(1.7705)
DM	2.9325	(Same)
FFr	9.8975	(9.8875)
SFr	2.6925	(Same)
Y	236.75	(236.25)
£ Index	92.4	(92.5)
■ DOLLAR		
New York lunchtime:		
DM	1.65225	
FFr	5.574	
SFr	1.5165	
Y	133.2	
London:		
DM	1.6525	(1.6565)
FFr	5.5775	(5.585)
SFr	1.517	(1.5205)
Y	133.35	(133.45)
$ Index	64.9	(64.9)
Tokyo close Y 133.38		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18 000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	$US1.25	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

US probes Lonrho's Gadaffi dealings

Adnan Khashoggi was middle man in UK group's Libyan negotiations

By Roland Rudd in London and Alan Friedman in New York

THE US administration is investigating Lonrho's dealings with Libya, including an offer by Lonrho of a deal involving its north American hotels.

News of the probe came as it emerged that Mr Adnan Khashoggi, the Saudi Arabian arms dealer who played a central role in the Iran-Contra affair, acted as middleman between Mr Tiny Rowland, Lonrho's chief executive, and Libyan government officials in the £177m sale of a one-third stake in the UK-based Metropole Hotel group.

These contacts led to a series of secret meetings between Mr Rowland and Col Muammer Gadaffi.

Investigators are examining reports that Mr Khashoggi visited Tripoli after the United Nations sanctions against Libya over its alleged involvement in the 1988 Lockerbie bombing came into force earlier this month. The reports suggest that Mr Khashoggi discussed other possible deals between Libya and Lonhro.

Documents obtained by the Financial Times show that Col Gadaffi's main investment vehicle also discussed the possibility of acquiring part of Lonrho's North American Princess hotel chain, which includes properties in Arizona and California.

A senior official of the US Treasury Department's Office of Foreign Asset Control (OFAC) said last night that Lonrho could be placed on the US government's list of banned companies if Libya acquired a shareholding which would give it significant influence in the running of a Lonhro company. OFAC was talking with Lonrho about the Libyan stake, the official added. OFAC last year handled the banning of US transactions with companies owned by or having ties with Iraq.

Since 1986, the US has barred US companies and individuals from dealing with Libyan-owned or controlled institutions.

A decision by the US to move against Lonhro could force Lonrho's second-biggest shareholder, Fidelity Management Research, to disinvest.

The documents obtained by the FT show that Mr Khashoggi first approached Mr Rowland last October. Mr Rowland wrote to Mr Mohamed Ali El Huwej, chairman of Lafico, saying how pleased he was to learn, from Mr Khashoggi, of Lafico's interest. Ten days later, Mr Ali El Huwej replied, suggesting a meeting with the aim of seeking Libya's "highest collaborations" in Lonrho's activities.

■ Private functions, public concerns: How Lonrho came to strike a deal with Libya PAGE 26

A series of meetings took place between Lonrho and Lafico, first at a fashionable Paris restaurant last November and then at the Richmond and President hotels in Geneva in February. A deal was announced in March whereby the Libyans took a one-third stake in the UK Metropole Hotels for £177m.

A financier with close knowledge of the company confirmed that the Paris and Geneva meetings had taken place and that Mr Rowland had discussed possible further deals with Libyan officials.

Mr Rowland subsequently met Col Gadaffi in April to discuss further investment and business ventures as the UN sanctions came into force.

Speaking for Lonrho last night, Mr Andrew Nitch-Smith, a partner in London solicitors Denton Hall, said: "Lonrho's only transaction with any Libyan institution to date concerned the Metropole Hotel sale, which was announced in March.

"Since that date there have been no other discussions on any other financial transaction with any Libyan institution. In particular, Lonrho has never had any discussions with any Libyan institution concerning any joint venture in the US."

In London, Mr Sam Evans, personal attorney to Mr Khashoggi, said he could not comment on Mr Khashoggi's business affairs.

However, Mr Reda Alaywan, a Paris-based Lebanese businessman, confirmed Mr Khashoggi's involvement. The two signed a joint venture last September to broker such deals.

Los Angeles police face rioters as buildings burn following the acquittal of four officers accused of beating a motorist

Los Angeles braced for more race riots as death toll hits 13

By George Graham in Washington and William Girdner in Los Angeles

ARMOURED CARS and National Guard troops took up position in Los Angeles yesterday, braced for another outbreak of the violence that left at least 13 dead on Wednesday night.

Riots shook the city as blacks reacted in disbelief to the acquittal of four white police officers charged with assaulting a black motorist, Mr Rodney King, despite the evidence of widely screened amateur videotape of the beating.

Burning, pillaging and gunfire appeared to subside with daybreak after the worst night of violence Los Angeles has seen since the Watts riots of 1965, but the city remained far from calm.

"It is not under control. There are looters, sporadic incidents of violence and a lot of pushing and shoving going on," said Mr Bill Frio, a police department spokesman.

Captain Steve Ruda of the fire brigade said he did not have the manpower to put out all the fires across the 30 square mile area hit by the rioting, and arsonists were reported still to be setting new fires yesterday morning.

Anger over the verdict spread to black communities across the country yesterday, sparking fears that the Los Angeles riots might be emulated tonight in other cities. "There is a danger that the crisis in Los Angeles will spread across the country," said Mr Jesse Jackson, the black political leader.

Some reporters and photographers who entered one of Los Angeles's poorest areas were dragged from their cars and beaten. Mr Jeff Cramer, a freelance reporter for the Boston Globe, was shot five times, but was in stable condition last night. He said a crowd tried to take him out of his car but failed to get the seat belt undone.

Gunshot victims were wheeled into the a hospital about 1 mile south of city centre regularly through the night.

Seeing flames a block away, a black security guard said: "Burn baby burn!"

President George Bush said the Justice Department would accelerate its investigation of the King case to see whether to bring federal charges of violating Mr King's civil rights against the police officers after their acquittal on assault charges under California state law.

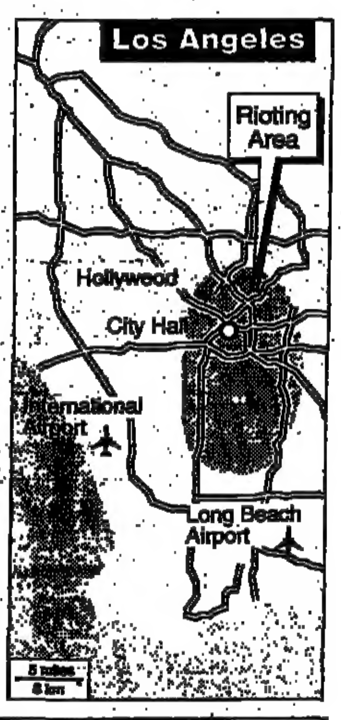
Appealing for calm, he said the verdict had "left us all with a deep sense of personal frustration and anguish", but condemned the "murder and violence in the streets of Los Angeles".

"We are concerned about any question of excessive police violence, and we are equally concerned about excessive public violence," he added.

Governor Bill Clinton of Arkansas, Mr Bush's likely Democratic opponent in this year's presidential election, said he was astonished by the verdict, and hoped for a stronger statement from the president.

"Like other Americans, I saw the film, and whatever the legal outcome, morally what happened seemed to me to be wrong," he said. "There is a gaping feeling

Continued on Page 16
LA law, Page 15



US threatens retaliation over EC oilseed subsidies

By Frances Williams in Geneva and David Buchan in Brussels

THE US yesterday threatened to impose punitive tariffs on $1bn worth of annual imports from the European Community for its refusal to comply with a General Agreement on Tariffs and Trade (Gatt) panel ruling against the EC's new oilseed subsidy regime.

Mr Rufus Yerxa, deputy US trade representative, said in Geneva that the US had been patient but given "the EC's failure to offer an acceptable resolution today, we have no choice but to initiate this action".

The European Commission described the US retaliation as "totally without justification" and "counter-productive and inappropriate", because Brussels had promised to put forward a compromise solution to Gatt by June.

A formal Commission statement complained the US action lacked "any legal basis", because the Gatt council had yet to accept the findings of its oil seeds panel.

The dispute risks souring already difficult negotiations on farm subsidies in the stalled Uruguay Round of Gatt trade talks.

The US action would raise tariffs on $1bn of EC exports to the US. The Community exported $4.7bn of farm exports to the US, and imported $7.15bn of US agricultural produce, in 1990. Details will be published shortly, US officials said.

Any punitive measures imposed by the US would seek to price targeted European products out of the US market.

Brussels' proposed change is to tie aid to EC oil seeds growers to a requirement that they must take 15 per cent of their arable land out of production. This "set aside" provision should mollify US objections by giving more scope for imports, EC officials said.

The EC told Gatt's governing council, which discussed the second Gatt ruling against the EC subsidies for the first time yesterday, that it could not accept the report immediately but would submit a "concrete proposal" for settling the long-standing dispute before the next council meeting. This is tentatively scheduled for mid-June.

The US announcement comes at a delicate time when Washington and Brussels are involved in difficult negotiations on farm subsidies in the stalled Uruguay Round of Gatt trade talks.

The panel ruling against the EC's subsidies regime is the second it has made on the 1988 US complaint that EC oilseed subsidies impair the duty-free access granted by the EC to American soyabean producers under a 1962 accord.

The EC revised its oilseed subsidy scheme after the Gatt's first ruling against it in 1989. The second panel report, published last month, also concluded that the new scheme harmed US soyabean producers. It was rejected by the EC.

Mr Yerxa said the US action had been prompted by "the amount of trade at stake, the five years spent on this issue, the two panel reports, and finding the EC's practices inconsistent with its Gatt obligations.

CONTENTS

Cost-cutting urged for European fighter jet

By Quentin Peel in Bonn

THE NEW defence ministers of Britain and Germany, Mr Malcolm Rifkind and Mr Volker Rühe, yesterday called for substantial cost savings in the European Fighter Aircraft (EFA), to ensure that the multi-national project goes ahead.

Speaking side-by-side after their first meeting, the two agreed that the aircraft manufacturers in Britain, Germany, Italy and Spain, must identify areas where significant savings can be made.

Mr Rühe, who took over the office of German defence minister last month after the sudden resignation of Mr Gerhard Stoltenberg, was much the most outspoken in his statement, reflecting the widespread opposition in Germany to the EFA project.

He said the price – DM135m ($81.8m) per aircraft in Germany – was "far too high, and there is an agreement between us that we should try to make clear that these price projections must be brought right down". Only thus would it be possible to ensure "that there is an opportunity within a limited budget to come to a positive decision" on the aircraft, he said. "It would be very difficult to make a clear decision on such prices."

A working group from the three parties in the German coalition government is currently considering the EFA project, as well as other alternatives such as the ex-Soviet MiG-29, the French Rafale, Swedish Gripen and the US F-15, F-16 and F-22 aircraft. They are supposed to report back by mid-year.

Mr Rifkind made it clear that he believed the EFA was both "operationally necessary" and appropriate to the changing defence challenges in Europe. However, he added: "I share the concern about the cost. We have a common desire to see the cost reduced and we should jointly approach industry to impress upon them the necessity of identifying areas where costs can be reduced." The principal manufacturers are British Aerospace, Germany's Deutsche Aerospace, Casa of Spain and Alenia of Italy.

Greeks turn to Alexander in their fight for Macedonia

By Kerin Hope in Athens

THE TIDE of Greek resentment is rising as international recognition of the former Yugoslav republic of Macedonia comes nearer.

Greek possessiveness about the name Macedonia is manifesting itself in innumerable ways, most notably in a demand for rings, brooches and cuff-links with the insignia of Alexander the Great, the ancient king of Macedonia, which Athens jewellers are struggling to meet.

"We carry all sorts of reproductions of ancient coins but people ask specifically for the Macedonian ones," says Maria Lalaounis of Ilias Lalaounis, a leading jeweller.

Trucks, taxis and aircraft cabins, meanwhile, are plastered with stickers proclaiming "Macedonia is Greek". Even the post office is franking letters going abroad with a similar legend.

In the past, ancient history was a powerful weapon for Greek leaders arguing to be included as equal members of western European political and economic organisations.

But Mr Constantine Mitsotakis, the prime minister, can expect an unsympathetic hearing tomorrow when he attempts to defend, at an informal EC foreign ministers' meeting, his country's refusal to recognise Macedonia under its present name. Mr Mitsotakis took over the foreign ministry two weeks ago after sacking Mr Antonis Samaras, who proposed that Greece veto EC recognition of Macedonia and close the borders with its northern neighbour.

The Portuguese EC presidency has done some quiet diplomacy in an attempt at reconciliation. The Macedonian government is ready to make concessions, such as accepting a Greek demand to amend the constitution, to avoid implying a territorial claim on the Greek province of Macedonia, and promising to stop anti-Greek propaganda.

Mr Samaras's hardline views have made him the country's most popular politician. Mr Andreas Papandreou, the opposition leader, endorses his position, and has called for a blockade of Macedonia. But many Greek politicians believe recognition is inevitable.

While there is little pressure on Mr Mitsotakis to exercise a veto, he will have to find a good excuse for not closing the border. In the year since civil strife erupted in Yugoslavia, Greek exporters have come to terms with paying higher transport costs to send goods to western Europe through Bulgaria or by ferry to Italy.

"There are compensating factors. The overall decline in trade with the ex-Yugoslav republics created a buyers' market here for hiring trucks. It also means more space available on ships and fewer delays at Salonica port," a northern Greek businessman says.

German Chancellor Helmut Kohl and Japanese Premier Kiichi Miyazawa share a joke at the start of Mr Miyazawa's visit to Germany

Japan seeks closer links to CSCE

By Quentin Peel in Bonn

THE LEADERS of Germany and Japan agreed in Bonn yesterday that their countries should play a greater part in international politics, in keeping with their economic importance. Mr Kiichi Miyazawa, the Japanese prime minister, called for political questions – such as arms control and drug trafficking – to be given greater prominence by the Group of Seven industrialised states in their preparation for the July world economic summit in Munich.

He sought the support of Chancellor Helmut Kohl, as well as of President François Mitterrand, whom he met in Paris on Wednesday, for closer Japanese involvement in the Conference on Security and Co-operation in Europe.

The Japanese argument to step up the political content in the G7, a suggestion regarded with some suspicion in Paris, is based on the grounds that this is one of the very few world groupings in which Japan plays a full role.

His plea was met with understanding by Chancellor Kohl, according to an official spokesman. Mr Kohl spoke of the need to provide more assistance for the economic and political stabilisation of the states of the former Soviet Union, the one point on which the two sides are still divided.

Mr Miyazawa outlined the continuing Japanese problem with the Russian federation over the Kurile islands, occupied by Soviet forces after the second world war.

He made it clear that while Japan had agreed to support financially the $24bn package of assistance for the current year put together by the G7, the IMF and the World Bank, any further assistance would depend on reaching agreement with Russia on the islands.

The issue seems likely to be raised by Japan at Munich, when G7 leaders are expected to meet President Boris Yeltsin of Russia in a separate forum after their summit meeting.

Ian Davidson adds from Paris: President Mitterrand promised moral support to Japan in its efforts to secure the return of the northern territories. But he did not respond to Mr Miyazawa's request that the issue be placed on the Munich agenda, telling the Japanese prime minister this was essentially a bilateral problem between Japan and Russia, which should be settled by negotiation.

France and Japan agreed to step up their political and economic dialogue, to the gratification of the French authorities, following the chill provoked by the anti-Japanese rhetoric of the previous French prime minister, Mrs Edith Cresson.

Sarajevo battles dim hopes for talks

By Laura Silber in Belgrade, Patrick Blum in Lisbon and agencies

RIVAL leaders of Bosnia-Hercegovina yesterday remained locked in conflict in European Community-sponsored talks in Lisbon as fighting again shook the republic.

A Portuguese official said round-table talks between the Serb, Croat and Moslem delegations appeared unlikely in the short term. Bilateral talks between the EC and the three delegations were being hampered by accusation and counter-accusation as well as events on the ground.

Diplomats in Belgrade feared little progress would be made towards peace following fierce overnight fighting in Sarajevo, the Bosnian capital. "At best we can hope for the leaders to come up with a statement of principles, but I am pessimistic," said one.

On the diplomatic front, Mr Marrack Goulding, United Nations under-secretary general, is expected to arrive in Bosnia at the weekend to assess the feasibility of deploying a peacekeeping force there.

In Helsinki, the Conference on Security and Co-operation in Europe welcomed Bosnia as its 52nd member, while allowing Yugoslavia to retain its seat for the time being. "Fifty states expressed their clear understanding that the presence of Yugoslavia does not mean any solution as far as the question of succession is concerned," a spokesman said.

EC foreign ministers will discuss fresh action to force Serbia to put down its guns and negotiate a peaceful division of Yugoslavia when they meet in northern Portugal today.

Mr Joao de Deus Pinheiro, the Portuguese foreign minister who will chair the meeting, has proposed isolating Serbia diplomatically and freezing Yugoslav assets abroad unless it pulls the Yugoslav federal army out of both Croatia and Bosnia-Hercegovina.

He said that unless Belgrade withdrew the Serb-led army from these two war-torn republics, the EC should not recognise the new smaller state of Yugoslavia which Serbia declared with its ally Montenegro on Monday.

Such international recognition appears to be the main diplomatic weapon against Serbia at the moment. "It all boils down to whether Mr Milosevic cares enough about recognition to bring peace to Bosnia," said a western diplomat.

At least two people were killed in the overnight fighting in Sarajevo, which local journalists said came under bombardment from Serb irregulars.

Clashes continued yesterday in Bosanska Krupa, in the north-western Moslem heartland. Belgrade radio said two bridges over the River Sava, which marks Bosnia's frontier with Croatia yesterday morning were blown up.

The fighting has left at least 350 people dead and some 420,000 have fled their homes.

Czechoslovak journalists denounced

By Ariane Genillard in Prague

PUBLICATION of the names of nearly 400 journalists identified as former agents of the communist secret police has injected a new element of controversy into the Czechoslovak general election campaign.

The list, handed to the Czech and Slovak governments by the Federal Security and Information Service (FBIS) and later leaked to the local press, is expected to weaken the credibility of the press in the run up to the elections on June 5-6.

It has raised a storm over the right of state bodies to single out individuals on the basis of files which could be incomplete, unreliable or open to manipulation.

The list names 262 Czech and over 100 Slovak journalists from both left and right-wing oriented newspapers who allegedly worked for the secret police under the former regime and who are accused of misinforming the public. "These people intentionally distort facts... and seek to destabilise the current situation," Mr Stefan Bacinsky, director of FBIS told Lidovy Noviny newspaper.

The misuse of secret police files has plagued public discourse in Czechoslovakia since a federal law was adopted last autumn which bans former communist officials and secret police agents from holding public office for five years.

British interest rises in east German companies

By Leslie Colitt in Berlin

BRITISH companies have risen to the top of the pack of foreign investors in east Germany, buying 66 companies since 1990, according to the Treuhand privatisation agency.

However, French companies retained their lead by size of investment, promising to commit DM2.3bn (£780m) to their east German acquisitions. British companies were second, at DM1.5bn (£510m), and the Swiss third at DM667m (£223m).

At the end of last year the Treuhand reported that British investors had bought only 26 of the east German companies on its books, putting them in third place after France and Switzerland, which had acquired 44 and 42 respectively.

Although there has been some direct growth in acquisitions by the UK, most of the change in the league table is accounted for by a change in the Treuhand's criteria.

The agency had previously ignored companies with partial British ownership and has now decided to include them.

UK companies said they would guarantee nearly 14,000 jobs in their east German takeovers, second to the French who promised to guarantee 14,743 jobs, said the Treuhand.

US companies have bought only 19 east German companies but pledged investments of DM1.5bn (£510m). Japanese companies, however, have been prominent by their absence.

In one of the biggest British industrial takeovers in east Germany, BICC, the construction, engineering and cables group, recently bought the KWO cables company in east Berlin with four factories. BICC agreed to invest DM157m by the end of next year and DM20m annually from

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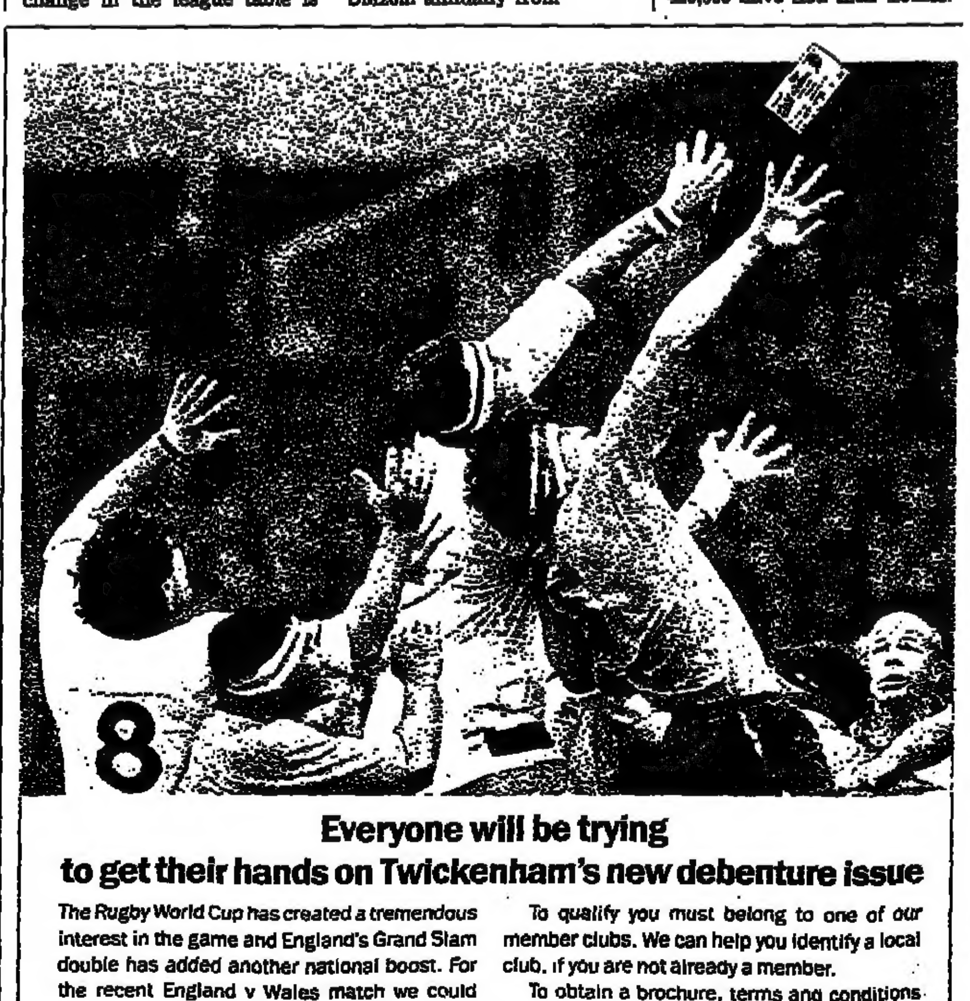


NEWS: EUROPE

NEWS IN BRIEF

Nato commander in Europe named

LIEUTENANT General John Shalikashvili, the US army officer who last year headed the operation to protect and supply Kurds in northern Iraq, has been appointed Nato's supreme commander in Europe to replace General John Galvin, writes David White in London. Born in Warsaw of a Polish mother and Georgian father, the 55-year-old Gen Shalikashvili formerly commanded the US 7th Army in Germany and is currently senior assistant to Gen Colin Powell, chairman of the US joint chiefs of staff.

Nato allies have shelved the idea of appointing a European to the job, which has gone to US generals ever since Gen Dwight Eisenhower first held it in 1950. Such a move would have reflected the greater role European allies are to assume in their own defence, with US forces in Europe being cut by half to 150,000 and possibly less. The allies have been anxious not to alienate US opinion and maintain a strong US presence in Europe.

Protests grow in Tajikistan

Supporters and opponents of Tajikistan's conservative leadership yesterday poured into Dushanbe, the capital of the former Soviet republic, to swell mass protests which have convulsed the city for three days, Reuter reports from Moscow. Leaders of the Tajik parliament held an emergency meeting to try to find ways of curbing the unrest and preventing an outbreak of violence. The Tajik mission in Moscow said that up to 100,000 people were taking part in three separate rallies: supporters and opponents of President Rakhmon Nabiyev and a third group demanding tough measures to end all the protests. It said government supporters, carrying Soviet flags and accusing Russia's President Boris Yeltsin of destroying the former Soviet Union, constituted the largest group. Government opponents, many wearing headbands inscribed with the slogan "freedom or death," encircled key state buildings, including Mr Nabiyev's residence. The republic is one of the most conservative in the now-defunct Soviet Union.

Austrian trucks accord

The final obstacle to the signature on Saturday of the European Economic Area (EEA) treaty, creating a 19-country single market, was removed yesterday when the EC reached agreement with Austria on truck traffic crossing the latter's territory, David Buchan reports from Brussels. The transit of EC trucks through the Alps was a problem for Switzerland and Austria. The latter has now conceded that EC trucks can make 1.264m trips across its territory a year.

The treaty will, after a transition period for certain sensitive sectors in Efta states, permit a free flow of goods, capital, services, and labour among the signatory countries. Negotiations for the EEA, which effectively make Efta states economic but not political members of the EC, have been plagued by institutional problems that may well be raised when the treaty comes up for ratification in various legislatures.

French unemployment falls

In the first clear sign that France may be starting to emerge from the economic recession, figures released yesterday show a small but significant decline in unemployment in March, the first such reduction since last August, reports Ian Davidson from Paris.

The reduction of 0.6 per cent, or by 18,200 to 2,858,100, in seasonally adjusted terms, was swelled statistically by a change in reporting dates. But even on the old basis, there would still have been a fall of 0.2 per cent in the unemployment level, and the Labour Ministry said the latest figures "clearly confirmed a relatively better trend".

Madrid offices bombed

Bombs in Madrid yesterday damaged the Labour Ministry and the headquarters of INI, the state-owned conglomerate that owns most of Spain's public companies, Tom Burns reports from Madrid.

While the bombs were small and the damage slight, the explosions were a dramatic prelude to today's May Day rallies, which will underline a growing union revolt against government policies. In the wake of government cuts in unemployment benefits and of plans to legislate curbs on wildcat strikes, unions have planned a half-day general strike on May 28 and further stoppages in October.

Dublin warned on Maastricht

Mr Henning Christophersen, European commissioner for economic and social affairs, told Ireland yesterday that failure to ratify the Maastricht treaty in the country's June referendum would be "disastrous" for its economy, writes Tim Coone in Dublin. Ireland could be sidelined in EC affairs,and at some point might "no longer be a real member of the Community".

Mr Albert Reynolds, Irish prime minister, is presenting a similar message to the electorate. Ireland hopes to receive a doubling of EC structural funds to I£6bn (£5.45bn) for 1994-98 under the Delors II proposals. Mr Christophersen said: "If there is a quick ratification of the treaty, it will be much easier to reach a quick decision on the Delors II package."

Spectre of jobless army haunts Russia

The painful business of adjusting to new times must soon start, John Lloyd reports

THE fear stalking the corridors of power of the Russian government is palpable: it is of the rise of an army - an army of unemployed.

Mr Feodor Prokopov, the young deputy Minister of Labour, refers to it often. "We will see a very sharp rise in the autumn - perhaps up to 3.5m or 4m. Perhaps to 5m-6m by the end of this year. Now, it's nothing: a little over 100,000. But it will come".

The lack of unemployment in a system where production has fallen steadily, where many goods, especially military and capital goods, have no market and real incomes of the population have been sharply reduced, is only a mystery if one thinks of the former Soviet economy as capable of acting in a market fashion. It is not.

Enterprises have retained staff at all costs - most of these costs being obvious in the Rbs800-900bn debt which they now owe to each other. Says Mr Prokopov: "You must understand the mentality. First, no manager has any experience of firing any number of workers. Second, managers are not so much managers in the western sense as members of the collective. This is a Russian as well as a Soviet tradition."

However, it is clear that time is running out, and that the painful business of psychological adjustment to new times must soon start.

A study now being finalised for the United Nations International Labour Organisation shows that the real level of unemployment has been much higher than the public figures - in large part because workers, who receive full pay for three months after redundancy and a tapering scale of pay thereafter, often do not bother to register for an unemployment benefit which few receive.

Soon, there will be no disguising it. Most managers covered in the ILO survey reported an intention to cut staff by at least 10 per cent this year.

Thus the Government is trying to get in place a legal and institutional framework which will cope with the most obvious and poignant signs of economic crisis: men and women on the streets, without work. The legal basis - an employment law - is now in draft stage, and is out for consultation with regional authorities and with the parliament.

It is fairly uncompromising: for instance, it explicitly states that "in a free economy neither the State nor private employers can guarantee employment for the citizens and the citizens must feel that they themselves have the responsibility to find themselves an occupation"

In a later passage, it says that "hiring and firing according to the business needs of the enterprise is the responsibility of the employers" - though it later includes a provision which makes it necessary for employers to inform the state, and the unions, in advance of mass redundancies (over 50).

Mr Prokopov and his colleagues and advisers are wrestling with four main, and perhaps ultimately insoluble problems. First, they are seeking to guarantee a (very) minimum wage to all those who will lose their jobs.

At present, their thinking is that this will be two-tier: 125 per cent of the minimum income (to rise to Rbs900 by May 1) for those who lose their jobs: 75 per cent of the minimum income for the long-term unemployed, for those looking for work for the first time and those whose employers has not contributed the statutory 1 per cent of the wage bill to the Employment Fund.

This is low. An income 25 per cent less than a level defined as minimum is desperately tight. But there is no money for more: if unemployment rises too far, there may not even be money for that.

Second, they are trying to put in place a network of unemployment benefit offices and training centres in a country which has not had the first and has the wrong kind of the second. Ms Molly Meacher, a British employment consultant working with Mr Prokopov, said that there is a lot of effort being put into this, but it is not yet clear who should be trained for what.

Most training in the former Soviet Union is done in specialised institutes, where workers are given skills for life: retraining is barely known. The World Bank, with such countries as Germany, Britain and Sweden are beginning to mobilise help on this front, and met in the past fortnight to co-ordinate their responses. But it will be shambolic at first. Third, they want to encourage the unions and the management to act like independent bodies: for now, however, both look upward, to the state.

The former official unions, still dominant, are - says Mr Prokopov - passive and confused: the managers have no experience in collective bargaining. The aim is to get bipartite bargaining going at local levels: and there is much interest in a a tripartite "co-determination" system at national level.

But more depends on the shopfloor than on the government. They face the immediate hurdle of getting the employment legislation past a parliament where large numbers of deputies are sure to object to inscribing in law that the right to work no longer exists: the law, like many others, may have to rely on presidential decree.

> Mr Boris Yeltsin, the Russian President, yesterday dismissed Russia's supreme legislature as a "talking shop" and called for a referendum to scrap it. "It's a big talking shop where little gets decided," Mr Yeltsin told steelworkers north of Moscow, referring to the 1,060-member Congress of People's Deputies. "I think we should put the new constitution to a popular vote and all will be decided, there will be no more Congress." In the town of Cherepovets at the end of a tour of northern Russia, he said it was vital to change the system of parallel standing and supreme legislatures introduced under former president Mikhail Gorbachev's perestroika reforms. "Nowhere else in the world does such a thing exist – a parliament and a Congress," he said, urging workers to gather signatures for a referendum.

Russia in warning on N-pacts

By John Lloyd in Moscow

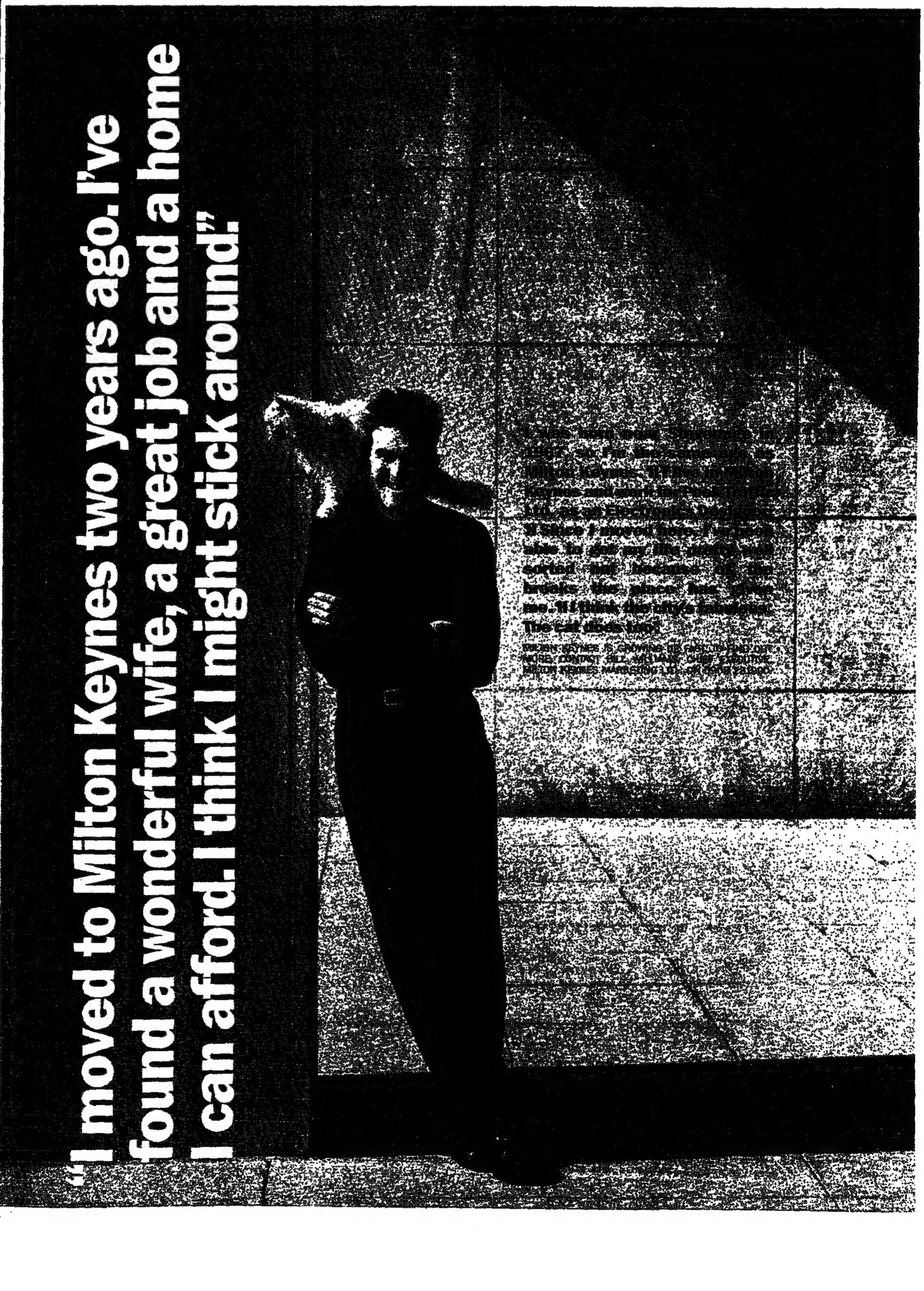
RUSSIA'S new deputy defence minister, Mr Andrei Kokoshin, yesterday warned Ukraine that Russia alone could observe and sign nuclear treaties as successor to the Soviet Union.

The issue has been complicated by this week's statement by Mr Leonid Kravchuk, Ukraine's president, that the US was willing for all four former Soviet states holding nuclear weapons – Russia, Ukraine, Belarus and Kazakhstan – to sign the strategic arms reduction treaty.

The dispute between the former Soviet states is delaying signing of the Start treaty and talks on a Start Two, which Mr Kokoshin is anxious to begin.

Mr Kokoshin said Russia's new defence doctrine would involve the armed forces playing a purely defensive role. Troops trained to operate behind enemy lines in a war in Europe would be redeployed as rapid reaction forces for emergencies. The army would be reformed on more west European lines.

States could have nuclear cover provided by Russia, "though they might have agreements with other nuclear states as well".



Fraudulent banker faces $8bn fine and jail

By John Barham in Buenos Aires

A FORMER Buenos Aires banker has been sentenced to five years in jail and fined $8bn for "aggravated economic subversion" and fraudulent administration of a bank that failed in 1980.

Mr Raul Pinero Pacheco was accused of ruining Banco de Intercambio Regional by diverting loans to companies he owned. He was a director of the bank when it collapsed owing $1.3bn to clients. Fines and interest on that amount compounded over the years are calculated at $8bn. However, when bailiffs attempted to seize Mr Pacheco's assets, they found that he had no personal wealth. He remains free while he appeals against sentence.

Mr Pacheco was only one of a number of businessmen and bankers who set up a constellation of banks and finance houses during a period of financial deregulation during the late 1970s. Lax supervision and a climate of speculation led to massive fraud calculated at $15.8bn at the time as banks collapsed under the weight of bad loans made to their owners and directors.

Mr Roque Fernandez, central bank president, has said bank crashes were one of the causes of Argentina's heavy inflation and collapsing public finances during the 1980s as the central bank was forced to take on private liabilities, through its unlimited deposit guarantee scheme. It repaid depositors by printing money.

The wheels of Argentina's judicial system grind slowly and only a few bankers have been tried for offences that took place over 10 years ago. Mr Pacheco has suffered the heaviest punishment yet.

Many prominent bankers, businessmen and politicians are also accused of similar financial scandals, but have yet to come to trial. Among them are former members of President Carlos Menem's entourage.

Congress move to ban budget deficits

By George Graham in Washington

CONGRESS is preparing to curb its most important power, to decide on taxation and expenditure, by seeking to amend the US constitution to ban budget deficits.

The House of Representatives budget committee has begun hearings on a balanced budget constitutional amendment, and Mr Thomas Foley, the Speaker of the House, says he believes an amendment is likely to pass this year.

Support for a balanced budget amendment – which if passed by Congress would then need to be ratified by three quarters of the states – comes mainly from Republicans and conservative Democrats such as Congressman Charles Stenholm of Texas, the main sponsor of the legislation.

But left wing Democrats like Senator Paul Simon of Illinois or Congressman Joseph Kennedy of Massachusetts are also backing slightly different proposals with the same aim.

Critics of the balanced budget amendment, however, describe it as just another gimmick. Its supporters, they feel, have all the sincerity of a psychotic murderer telephoning the police and begging them to stop him before he kills again.

Congress has made several attempts to tie its own budgetary hands since the US federal deficit began to spiral out of control in the 1980s, but with the deficit expected to top $400bn this year, they have clearly failed.

The Gramm-Rudman-Hollings law of 1985 set a target of balancing the budget by 1991, and inflicted mandatory spending cuts if Congress and the president could not agree on a budget that met the law's targets for the deficit in intermediate years.

The law had some effect, but was largely circumvented, and in 1990 it was replaced by a budget compromise between President George Bush and Congress. This agreement, which President Bush now regards as a political mistake, raised some taxes but in return imposed caps on discretionary spending.

Perhaps most importantly, it introduced a "pay as you go" rule, whereby any measures that would increase mandatory spending such as unemployment benefits or social security payments would have to be offset by higher taxes.

Even this apparently stringent discipline, however, has not held back the deficit from its giddy upwards spiral, although its defenders say that the position would be even worse had it not been enacted, and several legislators such as Senator Warren Rudman of New Hampshire and Senator Kent Conrad of North Dakota have announced that they are retiring from Congress out of frustration.

Leading indicators point to only modest US recovery

By Michael Prowse in Washington

THE Commerce Department yesterday reported a smaller rise than expected in its index of leading indicators in March, a further sign that the pace of economic recovery is likely to be modest.

The index – used to forecast turning points in the economy – rose only 0.2 per cent following more robust increases of 0.8 per cent and 1.0 per cent in February and January respectively. Only four out of 11 indicators contributed to the increase in the leading index in March.

The department's index of coincident indicators, which measures the current state of the economy, was unchanged in March following a 0.5 per cent increase in February.

A rise in consumer confidence was the most important of the four indicators contributing to the rise in the leading index. Declines in the real money supply and building permits were the most important of six negative indicators.

One indicator, the average work week, was unchanged.

The unbroken run of three consecutive monthly increases in the leading index was the first since last summer. However, this provides no guarantee of a sustained recovery. Last year the index rose steadily from February to July, offering little warning of the economy's slowdown in the autumn.

In a separate report yesterday, Columbia University's Centre for International Business Cycle Research predicted that the economy would continue to expand at least until the end of next year and probably into the beginning of 1994.

It said the fall in banks' prime lending rates for the past 11 months, despite a slow recovery of gross domestic product, indicated a lengthy expansion.

Separate figures yesterday showed a 1.6 per cent rise in factory orders in March, but the gain was mostly concentrated in the volatile aircraft sector.

Fujimori makes most of breather

Peru's president consolidates his hold on power, writes Sally Bowen

IN THE hiatus between the Organisation of American States' fact-finding mission to Lima last week and its crucial verdict on those findings, Peru's President Alberto Fujimori is consolidating the power he grabbed on April 5.

Internal direction of the International Monetary Fund-approved economic adjustment programme seems assured by the ratification of Mr Carlos Boloña at the helm of the economy – after a nail-biting five days when all involved, including fellow cabinet ministers, had confirmed his resignation.

Fujimori: his pillars of power remain firm

The three long-standing pillars of Mr Fujimori's regime remain firm: rumours that a sector of the military might defect to support "alternative president" Maximo San Román seem to have been scotched – both the armed forces and the police have reiterated their loyalty to Mr Fujimori.

Second, the business community is little short of euphoric since Mr Boloña's ratification and the appointment of their own Mr Jorge Camet, twice president of the private businessmen's lobby Confiep, as the minister for industry and commerce.

And four out of five people, according to the polls, back Mr Fujimori and his unchecked onslaught on legislature and judiciary.

"April 5 did for Mr Fujimori what the Gulf War did for President [George] Bush," says Mr Manuel Torrado, chief political analyst at Datum, a leading Lima market research company. Datum polls immediately before and after the autogolpe (self-generated coup) show a 15-point leap in Mr Fujimori's personal standing.

Surveys of opinion show that the people on the streets of Lima, home to more than a third of Peru's 22m population, are primarily concerned with crushing poverty and unemployment, terrorism and "delinquency".

"In the face of all this," according to Mr Torrado, "the constitution, freedom and democracy just aren't the issues."

Mr Fujimori has long gained political mileage from his attacks on lazy, overpaid parliamentarians (he once dubbed them "pachydermic") and venal judges ("jackals"). He has so successfully undermined the legislature and judiciary that the general public has now joined him in declaring open war on the other branches of government.

Deposed parliamentarians led by Mr San Román meet, discuss constitutional reform and publish timetables for a return a democracy, but most Peruvians scoff at their efforts as irrelevant.

Meanwhile, Mr Fujimori and his closest, unelected, advisers handpick Supreme Court judges, the Comptroller General of the Republic and the directorate of the central bank. While Senate ratification – by no means automatic – was previously required for high-level posts, now the presidential will is sufficient.

"The danger of all this," one foreign diplomat observed, "is that the few checks and balances on the traditionally powerful Peruvian executive have vanished like springtime snow."

The only possible rein on Mr Fujimori is international opinion. Peru's image with creditor nations has been boosted by Mr Boloña's survival but he will have a lot of explaining to do when he visits Washington, probably next week, with a letter of political intent.

Like many other Lima-based economists, Mr Augusto Alvarez considers that poor advice from his closest advisers – who tend to be men from military intelligence – led the President seriously to underestimate the impact on Peru's still shaky economy of a suspension of international financial support.

"They calculated economic damage in accounting terms and thought they could survive the suspension of US aid," says Mr Alvarez. "They forgot that the US is the foundation of Peru's support group, which allowed international financial relations to be normalised. And all other arrangements with the IMF, the Inter-American Development Bank, the World Bank and the Paris Club [of official creditors] hang on that."

So far, the government shows no sign of defaulting on debt payments – if they continue until the end of 1992, Peru will be eligible for fresh funds from the IMF and World Bank. But continuing to pay without the covering support group funds will tax monthly cash flows to the limits. Meanwhile, to maintain the high levels of popularity on which his legitimacy rests, Mr Fujimori will have to spend.

"Business, the armed forces and the population at large have given Fujimori a blank cheque," says Mr Alvarez. "But it's a cheque with a time limit. They will want to see something in return."

Already international reaction and suspension of aid have given Peru's financial sector a fit of the jitters. Dollar withdrawals from the commercial banking system in the three weeks after the coup totalled about $240m, a tenth of total deposits. This caused still further contraction in tight liquidity, making loans harder to find and pushing interest rates higher. While exporters and local manufacturers benefited from an initial 10 per cent devaluation of the sol, the exchange rate appears to have stagnated again.

On the two fronts used by President Fujimori to justify his April 5 dissolution of Congress – more effective action against drugs trafficking and terrorism – there has been more activity in the latter than the former.

The Sendero Luminoso guerrilla group's propaganda newspaper El Diario has been dismantled and its editorial staff arrested; Peter Cardenas, allegedly number two in the Tupac Amaru Revolutionary Movement (MRTA) command has been captured; and the military on Tuesday hit Raucana, a Sendero-controlled shantytown on Lima's outskirts, arresting two leaders in a bloody battle which left at least one dead and several injured.

While there are growing calls for "dialogue" from many sectors of the population – the overwhelming majority of whom support a swift return to constitutionality in an as-yet unspecified manner – President Fujimori shows little sign of responding.

Unless and until opposition leader Mr San Román can catch the popular imagination and mount an effective challenge to Mr Fujimori, it appears that only pressure from abroad will ensure an early return to democracy.

EC-US close to accord cutting jet subsidies

By Paul Betts, Aerospace Correspondent

EUROPE and the US appear close to ratifying the tentative agreement reached last month to reduce government support for new commercial airliner programmes.

Mr Ray Waldman, director of government affairs at Boeing, said all the remaining issues which have held up ratification were expected to be resolved during "the next few days".

The accord, which limits direct government development support for new aircraft programmes to 33 per cent of their total development costs, had been held up by disagreement over limits on indirect government support for commercial airliner projects from military programmes and other sources.

However, the US and the four European government partners in the Airbus consortium (France, Germany, Britain and Spain), appear to have reached a compromise to fix a limit on indirect supports.

Airbus said yesterday the agreement envisaged a ceiling of 4 per cent of a company's total annual turnover.

Boeing described the EC-US aircraft subsidy agreement as a "good trade-off", although the company, the world's largest manufacturer of commercial jets, would have preferred a complete ban on government development subsidies.

Mr Frank Shrontz, Boeing chairman, said the agreement "will go a significant way to putting discipline in the market place". But he added Boeing's long-term aim was "zero subsidies and zero government involvement" in commercial programmes.

Boeing is now increasingly concerned by Taiwan Aerospace's proposal to acquire a substantial equity stake in the commercial aircraft operations of McDonnell Douglas, its main US competitor.

Taiwan Aerospace is considering buying up to 40 per cent of the Douglas commercial aircraft subsidiary for $2bn (£1.1bn) and co-operating with Douglas in the development of the MD12, a four-engine 400-600 seater jumbo which will challenge Boeing's dominance of the large airliner market. "If the Taiwan deal happens, I hope the next Douglas product will not be another subsidised programme," Mr Shrontz said.

Boeing has already formally expressed its concern to the US government about the potential emergence of a what it calls an "Asian Airbus".

Mr Larry Clarkson, Boeing's vice-president for planning, told a US Congressional committee that the proposed Taiwan-Douglas deal raised serious questions because Taiwan was not presently bound by the Gatt and OECD agreements.

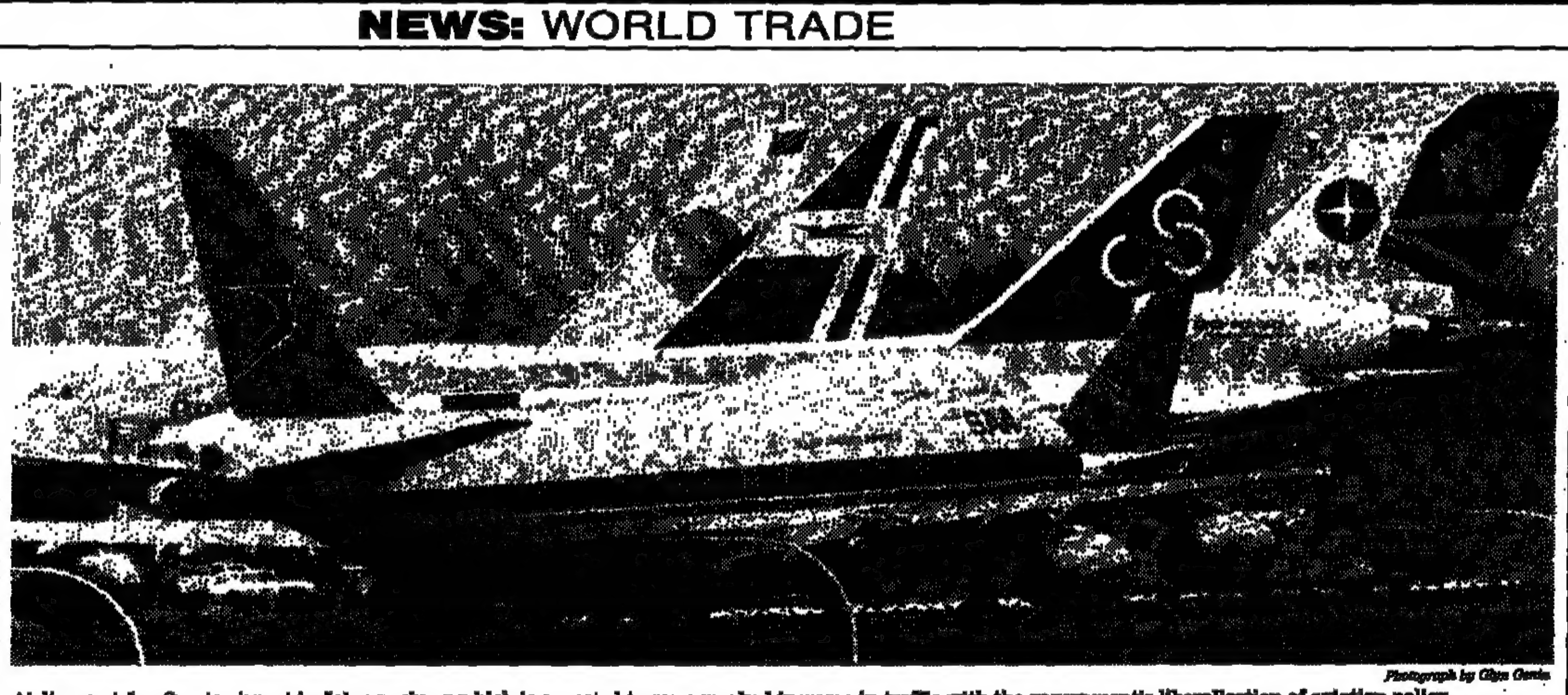
Mr Waldman said it was clear the Taiwan government had an aerospace programme to encourage Taiwan Aerospace and other parts of the Taiwan industrial community to enter the business through government funds, soft loans, tax breaks, the construction of a government sponsored industrial park, and "all sorts of gimmicks which kept Airbus afloat".

Boeing said it wanted to see the new EC-US agreement on Airbus subsidies extended to other countries, including Taiwan, to form eventually the basis of a multilateral agreement on commercial aircraft trade.

This process, however, was likely to take time. Boeing is therefore pressing the US government to undertake bilateral negotiations with Taiwan to agree on aircraft trade rules.

THE Airbus supervisory board is holding an extraordinary meeting in Frankfurt today to consider giving the four-nation European aircraft consortium the go-ahead to start marketing to potential airline customers a new narrow-body 124-seat airliner, the A319, writes Paul Betts.

The new aircraft would be a shorter derivative of the 150-seat twin-engine A320 and would cost around $300m (£169.4m) to develop, according to Airbus. It would complement the consortium's range of narrow-body aircraft by introducing a third model in the A320 family which already includes a larger stretched derivative, the A321.



Photograph by Glyn Genin

Airliners at Jan Smuts airport in Johannesburg which is expected to see a marked increase in traffic with the government's liberalisation of aviation policy

South Africa chooses the liberal flight path

THE decision by South Africa to liberalise its aviation policy, with the aim of bringing the country into line with international norms, has been given added urgency by the normalisation of political and economic relations with the rest of the world, writes Philip Gawith in Johannesburg.

Mr Piet Welgemoed, transport minister, said recently that 25 airlines, from Europe, the Middle and Far East, South America, Africa and Russia had applied to fly to the country. The South African government announced a series of measures on Wednesday, including tariff deregulation, and said it would allow more than one national airline to fly routes to South Africa.

The policy will have a considerable impact on South African Airways (SAA), the national carrier, which has been protected from competition as all fares for flights to and from South Africa have been set at levels determined by SAA's operating costs. SAA also enjoyed protection as the only national carrier flying the main international routes.

The most important changes concerning scheduled air services are the deregulation of tariff control and allowing each country to designate more than one airline to serve on a specific route between two countries. A likely beneficiary of these changes will be Virgin Atlantic which is hoping to start a five-flight per week service to South Africa in October. During a visit to South Africa in March, Mr Richard Branson, Virgin's owner, said he thought fares could be reduced by 35-40 per cent.

The policy will also allow designated airlines on a certain route to expand or cut services by virtue of demand and supply, while Cape Town and Durban will also be promoted as gateways to South Africa.

From a domestic point of view, existing or future airlines will now be free to compete with SAA on its established routes. Mr Jan Blake, managing director of the recently formed Flitestar airline, has already given notice that the company hopes to pioneer scheduled services to India and the United Arab Emirates and to become the second designated carrier on routes to the UK and Germany.

The new policy also encourages charter flights and will involve the ratification of various conventions which should make it easier and more beneficial for South African airlines to obtain foreign financing.

UK MPs praise business world's 'golden triangle'

By Bethan Hutton

BRITISH businesses are ignoring great opportunities in the "golden triangle" of Hong Kong, Taiwan and south China, according to a British MPs' report.

Taiwan offered even more opportunities for foreign contractors than Hong Kong's second airport project which had aroused considerable interest among UK contractors.

Taiwan's six-year plan to improve its infrastructure was worth 25 times as much as the airport project, the report said. The report is by the UK parliamentary select committee on trade and industry, chaired by Mr Kenneth Warren, former MP for Hastings and Rye.

Mr Warren described the region as the "largest building site in the world".

The report is optimistic about the future of Hong Kong after it reverts to Chinese control in 1997. Britain tended to see 1997 as the end of an era, whereas other Europeans saw it as the start of an era in which Hong Kong would be the best place in China to do business, said Lord Young, chairman of Cable & Wireless and subsidiary Hong Kong Telecom, who gave evidence to the committee.

■ An early increase in export credit guarantees to enable British companies to compete aggressively in the growth markets of China, Hong Kong and Taiwan was urged yesterday by Lord Prior, chairman of GEC, one of the largest exporters to the region, writes Richard Evans.

He was speaking at a conference in London organised jointly by the CBI and the China-Britain Trade Group.

Hong Kong airport body to seek loan

THE Hong Kong authority responsible for building and operating the colony's new airport has been given provisional authority to borrow HK$23.3bn (£1.67bn) to finance the construction of the airport, though it will take months before it is ready to approach the world's capital markets, writes Simon Holberton in Hong Kong.

Mrs Anson Chan, a senior Hong Kong official, said the Provisional Airport Authority's (PAA) capital funding requirement – including interest payments and fees associated with the borrowings – was HK$38.2bn, in March 1991 prices.

The PAA's finance director said the authority would be seeking the longest-term financing that was available from the market.

AT&T criticises Brussels rules on telecom market

By Hugo Dixon

THE European Community was criticised yesterday for protecting its telecommunications companies from foreign competition by a senior executive of American Telephone & Telegraph, the largest US telecommunications group.

Mr Randy Tobias, AT&T's vice-chairman, said that the market to provide telecommunications services throughout the Community was largely controlled by state-owned monopolies and that these monopolies favoured "national champions" to supply them with equipment.

"There are large numbers of both formal and informal constraints that keep markets closed," Mr Tobias said. "We will all be better off when we get to a fully open, competitive environment." Mr Tobias focused his attack on the EC directive on public procurement, which he said could require telecommunications operators to buy only equipment with more than half its content made in Europe.

This directive has been a bone of contention between the US and the Commission, with the former threatening sanctions if it is not altered by the end of the year. The Commission has countered by arguing that the US market is closed.

Mr Tobias, however, said the US market was much more open to competition than Europe. He said AT&T only had 41 per cent of the US market for telecommunications exchanges, while foreign companies had 52 per cent. By contrast, Alcatel of France had 92 per cent of the French market and Germany's Siemens had 85 per cent of its home market.

India and Taiwan angry at US sanctions

By KK Sharma in New Delhi and Luisetta Mudie in Taipei

INDIA and Taiwan reacted angrily yesterday to the US decision to act against the two countries over their alleged failure to protect intellectual property rights.

The Indian government said the US decision to reduce trade benefits to India was "unjustified". Members of parliament from all parties accused the administration of trying to bully India into falling in line with its thinking on world affairs, especially international trade issues.

The US cut $60m (£33.5m) worth of Indian goods from the US duty free preference scheme, directed at Indian exports of pharmaceuticals, chemicals and related products. The US said it was in retaliation for India's inadequate protection of patents in the pharmaceuticals industry.

Mr P Chidambaram, the Indian minister of commerce, said the government had neither yielded nor would it ever yield to pressure from the US on trade or any other matter.

The Taiwanese government yesterday condemned as unfair the US decision to add Taiwan to its "priority watch list" for infringement of US intellectual property rights.

Mr Shen Ke-sheng, director general of the board of foreign trade, said the action would only hinder the development of trade relations between the two countries. Taiwan, the world's 14th largest trading nation, was recently warned by the US that it would join India and Thailand on the list of nations found to engage in unfair trade practices if it failed to curb copyright violations, which consist largely of software, video and US brand name piracy.

Although Taiwan submitted its action plan to the US in mid-April, it appears not to have satisfied US demands for self-inspection of goods for export, and heavier penalties for violators. The island could face retaliatory tariffs of up to 100 per cent, or even restriction on some exports. Hardest hit by any retaliatory action would be Taiwan's fast-growing personal computer industry, which is making inroads into the US market.

Sao Paulo - city on a boom-bust roller-coaster ride

Once the magnet for all types of talent, it represents the fading dream of a Great Brazil, **Christina Lamb** writes

CUTTING through the heart of Sao Paulo, South America's largest city, the Avenida Paulista is home to the headquarters of most of Brazil's banks, important companies and multinationals, and controls around 39 per cent of the country's GDP.

Recently commemorating a century of existence, the "Paulista's" jumble of concrete skyscrapers, architectural masterpieces, and opulent mansions built by the coffee barons who constructed the road bears witness to the development of the Brazilian economy; its mood acts as a barometer on the prevailing economic situation.

Some call it Brazil's "island of the First World", a magnet for wealth and talent and a symbol of what Brazil could be: for others, like President Fernando Collor, it is a focus of all that is wrong with the country.

He sees it as a notorious den of cartels and monopolies blocking his every attempt towards introducing a competitive economy, and peopled with businessmen who, he claims, "feed their cows with beer and imported lettuce".

The main target of Mr Collor's wrath lies at No. 1313. The powerful Sao Paulo Federation of Industries (FIESP) prospered from the import substitution policy begun in the 1950s and was, in the boom years of the 1970s, the main engine of growth for Latin America.

Today, frequently at loggerheads with the Collor government, it houses many "dinosaurs" eager not to allow intruders into what remains one of the world's most protected economies.

The most common FIESP weapon against the government is to warn of widescale dismissals and impending social crisis. With Brazil in its

As dusk falls on the costliest real estate in Latin America, "shoeless and shirtless" children cluster round the bins hoping for scraps

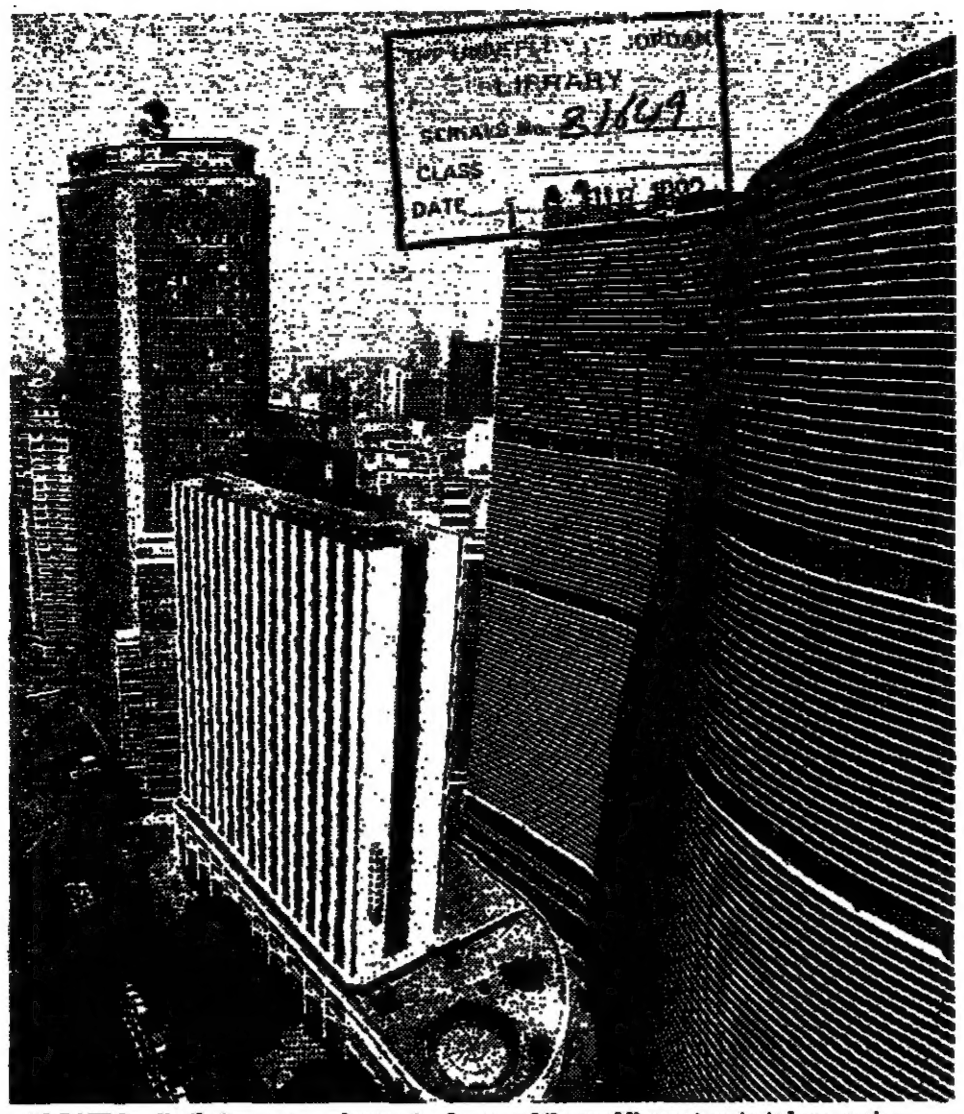
worst recession for a decade, officials are currently threatening mass lay-offs provoked by the government's tight monetary policy (in effect since September) on top of last year's 8 per cent drop in employment.

FIESP's lobbying force is, like Brazil's industrialisation, relatively recent. Today's Paulista, along which 130,000 cars hurtle per hour and digital pollution monitors read "BAD" two-thirds of the year, is very different to the magnolia-lined avenue hewn out of the jungle for the coffee baron society to perambulate in their carriages.

Yet until only 40 years ago, coffee barons were the country's most powerful people, coffee comprising 70 per cent of Brazil's exports. And Brazil was a society which imported almost everything.

Coffee brought commerce, and names on the road's buildings such as Crespi and Matarazzo register the business success of immigrants who came to Brazil between 1885 and 1914 in a great global migration from Europe and Asia to the New World.

More than half the city's population are descended from immigrants, but the deterioration in the economy means nowadays that there are long queues at the Italian and Japanese embassies of second- or



SAO PAULO - city that serves as a barometer for one of the world's most protected economies

third-generation descendants wanting to return to their home countries.

The most recent wave of entrants to the Paulista were banks - more than 120 of them. Housed in some of the most impressive buildings, banks above anything have prospered in the last decade of chronic inflation and now represent around 15 per cent of GDP - double that of an average industrialised economy.

Recently, they have been unusually calm. "Some weeks we're Ethiopia, others we're Switzerland. For the last three months we've been Switzerland but now we're heading back to Ethiopia," says one banker working on the Paulista. He was referring to the fact that the "agio", the difference between the black market dollar rate and the official rate, and which is usually taken as a monitor of confidence in the economy, is back up to 10 per cent after four months at zero.

The disappearance of the "agio" in December for the first time in 11 years was less a sign that the Brazilian economy is truly on the road to stability and more a result of the government's credit crunch. Maintaining the world's highest interest rates is forcing Brazilians to sell their dollars from under the mattress or bring in some of the estimated \$50bn (£28.2bn) they hold abroad in order to pay suppliers and workers.

These days even the banks are unsmiling as the high interest rates push many of their clients into insolvency - more in 1991 than in the previous two (also recessive) years combined. Gloomier still are the Paulista's shops where shelves remain stocked high and shoppers are few, frightened off by credit costing 5,000 per cent a year.

Pressure is mounting on Mr Marcilio Marques Moreira, Brazil's economy minister, to relax the monetary policy. "We are killing off our industry," warns Mr Emerson Kapaz, a Sao Paulo business leader and toy manufacturer. On the Paulista's pavement, the informal economy seems to be doing little better.

The preponderance of street traders selling everything from sink plungers to electronic games show the increase this decade in the informal economy. Thought to be equivalent to 50 per cent of Gross Domestic Product, it is currently exercising the brains of those in government over how to tax it.

The last decade left other marks on the Paulista: these days, shoppers clutch handbags and watch out for well-armed pickpockets who shoot for brandname sneakers while motorists drive bullet-proof cars, wary of kidnappers out for more lucrative targets.

Ragged children roam the street offering to guard cars for a handful of almost worthless notes, a glaring example of how inflation has increased the gap between rich and poor - the world's widest.

As dusk falls on the most expensive real estate in Latin America, gangs of street children cluster round the bin outside Macdonald's hoping for scraps.

These were the people that Mr Collor referred to as the "shirtless and shoeless" in his campaign two years ago and pledged to lift out of poverty, while promising those inside the bullet-proof cars to take Brazil into the First World.

Now, after a second year of recession and expecting 1992 to be little better in growth, even the Paulista is starting to show the strain. The days of new construction are forgotten and the lack of investment evident in the poor upkeep of the greying buildings.

Once a magnet for talent from all over the world, the cracked pavements of the Avenida Paulista now attract down-and-outs from the country's poverty-stricken north-east. And symbolise the fading dreams of a Great Brazil.

US holding fresh talks on beer imports

THE US said yesterday it was consulting state governments on how to comply with a Gatt disputes panel ruling that federal and state laws and practices discriminate against imported beer, Frances Williams reports from Geneva.

The ruling, with far-reaching implications for many Gatt members with federal constitutions, was discussed for the first time by Gatt's governing council. The panel was set up last year to examine a complaint by Canada alleging 78 discriminatory practices against imported beer by the US federal government and 44 US states.

The panel found preferential federal excise taxes for small US brewers and tax and distribution practices in 41 US states and Puerto Rico were inconsistent with international fair trade rules. The US had not shown it had taken "reasonable measures" to bring states in line with Gatt rules, the panel said. Another Gatt panel has ruled in favour of a US complaint that certain Canadian liquor board practices for beer violated Gatt obligations. After US threats of retaliation, the two sides reached an agreement last Monday, giving US brewers easier access to Canada.

This is set to make it easier for the US to end discriminatory practices at home. The US accounts for 90 per cent of Canadian beer imports, worth \$200m a year, though these are equivalent to 1 per cent of total US beer output. Mr Rufus Yerxa, US ambassador to Gatt, said he hoped to say soon that the US could accept adoption of the panel report.

Australia's recovery slower than forecast, says OECD

By Kevin Brown in Sydney

AUSTRALIA'S recovery from 18 months of recession will be significantly slower than forecast by the government, the Organisation for Economic Co-operation and Development says in a report published today.

The Paris-based organisation says gross domestic product will grow by 0.1 per cent in the current financial year, followed by 3 per cent growth in the year to June 1993.

It also says unemployment, now 10.5 per cent, will remain above 10 per cent for the next two years, and that inflation will rise from 1.7 per cent to 4 per cent by 1993.

The OECD forecasts paint a more pessimistic picture of Australia's short-term economic prospects than the federal Labor government, which says GDP will grow by 4.25 per cent in 1992-93.

The government forecasts inflation will rise no higher than 2.5 per cent by 1992-93, with unemployment falling to 9.25 per cent by June 1993, the last possible date for the next federal election.

The OECD's economists appear not to have considered the impact of an economic statement in February by Mr Paul Keating, the prime minister, in an attempt to boost economic growth.

Mr Keating announced the injection of A$2.3bn (£980m) into the economy as the first part of a four-year recovery programme intended to create 800,000 jobs and stimulate annual GDP growth of around 4 per cent until the mid-1990s.

The report gives support to the government's attempts to open the economy to international pressures through industrial deregulation and reductions in tariff protection.

The OECD criticises the government's handling of monetary policy, which it says contributed to the severity of the recession.

Strong man Masood enters Kabul in triumph

By Steve Levine in Kabul

THE GUERRILLA commander Mr Ahmad Shah Masood yesterday assumed his position as Afghanistan's strongest figure, inspecting the capital Kabul from a black Mercedes limousine as his troops took up posts around the city in scores of armoured vehicles.

Late on Wednesday, Mr Masood had ridden triumphantly into Kabul in a three-mile-long armoured column that reached the capital after skirting a final attempt by his rival, the radical Mr Gulbuddin Hekmatyar, to block his way to power.

As Mr Masood's column rode south from Bagram air base it was fired on by fighters of Mr Hekmatyar. The column made a quick detour to another road, and the convoy – carrying thousands of Mr Masood's fighters and his ethnic Uzbek allies – proceeded to Kabul.

Mr Masood, who is the new defence minister, appeared to be gearing up for a new offensive against Mr Hekmatyar.

With the backing of his fighters, Mr Masood can wield considerable sway over the new President Sibghatullah Mojaddedi, and the prime minister designate, Mr Ustad Fareed. Both are seen as comparitively weak figures.

"Every group which is fighting the government, which is not acceptable to the majority of the people, is a rebel and subversive," Mr Masood said.

It was clear that Mr Hekmatyar – who according to mujahideen and diplomats attempted to take power for himself in a joint coup attempt with ethnic Pushtouns in the left-wing government last week – was heading toward isolation.

Members of the ruling 51-member ruling council met Mr Masood for the first time yesterday to discuss, among other topics, Mr Hekmatyar's future. Before the meeting a spokesman for Mr Mojaddedi said: "It is up to the council to decide. But in my opinion, there is no more chance for Hekmatyar to enter the council. He was given the chance to be prime minister of Afghanistan. Instead he decided to fight his fellow mujahideen."

Mr Hekmatyar was said to be with his forces some 20 miles south of Kabul at Chorosyab.

Mr Noor ul-Haq Ulomi, a general of the deposed regime who has appeared to establish himself in the early stages of the new government as a prime military figure, said an offensive was planned against Mr Hekmatyar today or tomorrow. Another general, who asked not to be identified, said the offensive would involve a combined force of former army soldiers, mujahideem and ethnic militia.

After almost a week of violence, only a few shells and small arms fire were heard in the capital. Meanwhile, signs emerged of the new Islamic government taking hold. In the luxury Chicken Street district, merchants stopped selling hard liquor, saying they feared trouble from mujahideen guerrillas running the city of 2m people.

Women who had strolled unveiled in short skirts next to other women in full *burkha*, were carefully covering their faces.

Mr Najibullah, the former Moscow-back president, has not resurfaced since his attempt to flee the country two weeks ago.

Mr Ahmad Shah Masood, the new Afghan defence minister, is greeted by his commanders in Kabul yesterday

Afghanistan takes stock after 13 years of civil war

David Housego drives across a devastated country still divided between its victorious rival factions

AT THE Spinza hotel in Jalalabad, the manager looked blank-faced and shook his head.

Over the last 13 years of civil war he had been forced to take in Russian officers or officials of the former Afghan communist regime. But we were the first western visitors seeking a room – and prepared to pay for it – he had seen for several years. For until Mr Sibghatullah Mojaddedi took power in Afghanistan this week at the head of an interim Islamic administration, the road from Kabul that winds down through Jelalabad to the Khyber Pass and Peshawar across the Pakistani border had been closed to foreigners.

But the manager said he could do nothing. The hotel – a stylish mansion set in an orchard but now like everything in Jalalabad heavy with the dust and scars of war – been taken over by the local mujahideen council. He had no power to allocate rooms.

Our party of five journalists had hired an open pick-up truck to make the journey from Kabul to Pakistan because there are still no passenger flights out of the Afghan capital.

The journey started ominously. Tanks and artillery were shelling Kabul airport and Martyr's Ridge which overlooks the city. We passed under the barrels of tank guns firing on the ridge.

The checkpoints through the Kabul gorges – which the previous week had been jointly manned by soldiers, paramilitary forces and Islamic guerrillas – were largely abandoned.

At Sarobi, a small town halfway to Jalalabad, came a blunt reminder that the conflict that has erupted between rival mujahideen factions – and thus between rival ethnic groups – could be a long one. The pictures of President Mojaddedi that we had seen earlier abruptly gave way to pictures of Mr Gulbuddin Hekmatyar, the leader of the fundamentalist Hezb-e-Islam.

Sarobi was packed with heavily armed Hezb supporters, demonstrating his continuing strength among the Pushtouns of the south-west and their determination to resist domination by non-Pushtouns backing Mr Mojaddedi.

Further down the road, we passed a dozen lorries full of Hezb guerrillas with automatic weapons and rocket launchers heading for Kabul. They were just ahead of the first convoy of trucks loaded with wheat that Pakistan is sending to the Afghan capital.

Between Sarobi and Jalalabad, we saw the devastation that the war has caused. Villages beside the road lay abandoned after being flattened during the war by Russian and Afghan forces denying cover to the guerrillas.

At the sides of the road were the remains of hundreds of Soviet tanks, armoured personnel carriers and trucks that had been hit by the mujahideen – a symbolic graveyard of Soviet power.

On the outskirts of Jalalabad, we passed a checkpoint too quickly and an angry Hezb commander fired into the air to call us back. He then questioned us aggressively before letting us pass.

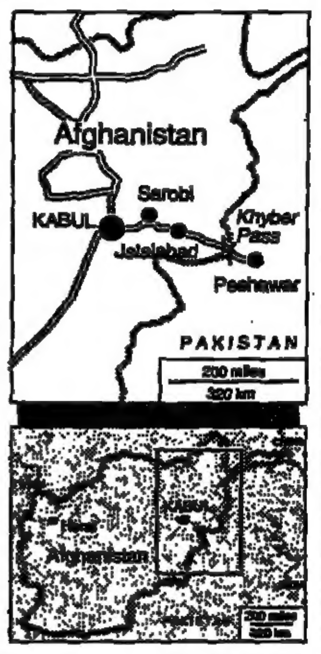
We entered Jalalabad as night was falling and as lightning illuminated the Khyber range of hills beyond.

The town was the scene of a large-scale but abortive mujahideen offensive in 1988. Scarcely a window now remains. Turned away from the Spinza hotel, we spent the night at the Korshid, a doss-house in the bazaar.

We left Jelalabad at 4am. Much of the area from there to the border has been under the control of extremist Arab guerrillas, devotees of a local Afghan saint. But most checkpoints were deserted.

Instead, on either side of the road, were huge fields of opium poppies that have helped finance several guerrilla groups.

At the Afghan frontier post, a new board had been put up to mark the change of government. It announced that we were leaving the "Islamic Republic of Afghanistan". But it was characteristic of the anarchy now prevailing in the country that there were no immigration or customs officials to check us out.



Indian court orders assets of Union Carbide seized

By K K Sharma in New Delhi

THE INDIAN assets of Union Carbide, the US multinational, have been ordered to be seized by a magistrate in Bhopal following the failure of its employees to appear in court in connection with the gas leak tragedy in 1984 which has killed more than 4,000.

Mr Gulab Sharma, the magistrate, yesterday ordered that the company's 50.9 per cent holding in its Indian subsidiary should be seized immediately. The company yesterday put the value of the shares and property at Rs420m (£30.5m).

The order came after an application by the government to seize the company's property and shares following reports that Union Carbide was attempting to transfer shares in its Indian subsidiary to a trust for building a hospital for victims of the disaster.

The magistrate has already ordered that arrest warrants be issued for Mr Warren Anderson, former chairman of Union Carbide, for failing to appear in court and extradition proceedings are now in progress.

Union Carbide is thought to want to transfer of the shares in its Indian subsidiary to forestall seizure by the court. The company's move came after its employees had ignored a summons to stand trial on charges of negligence in connection with the Bhopal tragedy.

Mr Rajendra Singh, a lawyer for Union Carbide's Indian subsidiary, told the court the US company had "lost faith" in the Indian government and there was little possibility of the company or its lawyers appearing before Indian courts.

In a settlement with the Indian government in February 1989, Union Carbide had paid $470m in return for quashing all criminal proceedings against its employees. The settlement was later challenged on the grounds that it was inadequate, but was upheld by the Supreme Court.

World business optimism rises, says survey

By Emma Tucker, Economics Staff

OPTIMISM about future sales and profits growth in Europe and North America has driven worldwide business hopes sharply higher, according to a survey published yesterday.

A survey of more than 11,000 busines executives in 15 countries by Dun & Bradstreet, the business information group, found that expectations for higher sales and profits in the second quarter in Canada, the US, Germany, the UK and New Zealand, boosted worldwide optimism in despite a sharp drop in Japanese expectations.

In Japan, expectations for higher sales fell for the seventh consecutive quarter with more businesses expecting sales to fall than to rise.

However, optimism about higher sales increased sharply in New Zealand and remained flat in Australia pushing overall expectations in the Pacific basin slightly higher.

"Japan is almost certainly entering a period of virtually no economic growth," said Mr Joseph Duncan, vice president of Dun & Bradstreet.

In Europe, business optimism for higher sales and profits rose or stayed flat in all of the eight countries surveyed, except for Italy.

The survey, which was carried out in February and March, also showed that optimism rebounded sharply in the UK, before the general election on April 9.

Mr Duncan said increased sales and profits optimism in Germany reflected recent signs of economic growth in eastern Germany.

Bank of China status to stay

By Simon Holberton in Hong Kong

THE Bank of China will not become the colony's central bank after Hong Kong reverts to Chinese sovereignty in 1997 but will remain a commercial bank, according to a senior Chinese government official.

He also questioned whether the Bank of China could, or would want to, replace Hongkong and Shanghai Banking Corporation as the colony's leading bank. Bank of China, a collection of 13 mainland banks, is the colony's second largest bank with assets in excess of HK$500bn (£36bn).

Chen Ziying, deputy director of Beijing's Hongkong and Macao Affairs Office, was quoted by the semi-official China News Service as saying: "How would Bank of China replace Hongkong Bank? Bank of China will not have such a plan, will it?" Hong Kong currently has no formal central bank or monetary authority, although the colony's Exchange Fund performs many central banking functions. It is responsible for the management of foreign reserves and for conducting operations in the money markets to ensure that the Hong Kong dollar remains fixed to the US dollar at a rate of HK$7.8 to the US unit.

Protesters to be expelled

By Jimmy Burns

CHINA was last night reported to be preparing to release and expel seven Europeans after detaining them for staging a human rights protest in Tiananmen Square, site of the pro-democracy demonstrations two years ago which were crushed by the army.

The seven included Mr Bob Parry, a British Labour MP, as well as two French trade unionists, and local parliamentarians from Saxony and Geneva belonging to the European Labour Group which supports trade union rights.

The group was detained after unfurling a banner in Tiananmen Square which read in Chinese, "Long live free labour unions". They had previously been refused a meeting by the Ministry of Justice after reportedly telling foreign journalists that China's only officially tolerated trade union was not independent.

China has banned political protest of any kind since cracking down on student protest in June 1989.

Ma Yuzhen, China's ambassador to London, was summoned to the Foreign Office yesterday afternoon where he received a formal protest from Britain's foreign office minister of state, Mr Alastair Goodlad.

Japanese housing starts down 19.4%

By Robert Thomson in Tokyo

OVERALL housing starts in Japan fell 19.4 per cent to 1.23m units in the fiscal year to the end of March, reflecting property market instability and the intense financial pressure on property companies and their bankers.

But, for March, starts were down only 2.3 per cent on the same month last year, adding to evidence that the residential property market is close to touching bottom after 17 consecutive months of decline.

Leading developers report that their stock of unsold properties, which expanded rapidly last year, has stabilised, while Tokyo condominium sales in March rose 19.5 per cent on the same month last year.

Property prices are reckoned to have fallen by an average 30 per cent in the past 18 months, though the decline has been uneven. Prime commercial space has remained in demand, while some apartment prices in western Japan have fallen by more than 50 per cent.

Starts in March of housing for sale fell 33.9 per cent to 20,462 units, the seventh consecutive decline and a sign that property speculators are still in severe pain. The market in the Osaka region, a centre of speculative building, remains the hardest hit.

China chips reluctantly away at its 'iron rice bowl'

Yvonne Preston on why the policy of 'smashing' the system of safe state jobs is pursued half-heartedly

A worker in the city of Hefei, made redundant from his job in a chemical factory, killed the factory manager by running him over twice with a truck. He was sentenced to death last month.

Like most workers in Chinese state factories, Mu Huining, had grown accustomed to a world where no one could be sacked, unless caught gambling or fighting on the job or failing to turn up at work with no good reason.

In China this is the state sector system of the "iron rice-bowl", guaranteeing workers not only a job for life, but free medicine and schooling, subsidised food and subsidised housing. The system also has a secure "iron chair" for the factory managers, good or bad, and the same "iron wages" paid to workers whether they work or not.

Official policy is to smash the iron rice bowl, pay higher wages to the harder-working and sack the surplus workers who account for anything over 10 per cent of a factory's payroll.

The aim is to make the state enterprises competitive and profitable. A third of them are losing money. They cost the state billions of yuan in subsidies every year, and the more competitive collectives, private businesses and foreign joint ventures are growing much faster. These now account for almost half China's total industrial production, up from less than 25 per cent in 1980.

Reforming the state sector, especially labour reform, is "in" in China, as it has been off and on for years. A journalist told of visiting a factory in the mid-eighties which claimed to be implementing labour reform, offering as proof the fact that two workers had been sacked. When the journalist asked what their offence was he was told they had not turned up for work for six months.

Smashing the iron rice bowl is easier to say than put into practice. The tendency is to chip rather than smash. The problem is a worker who is fired loses all the other perks that go with a state job which form the basis of China's social welfare system, catering to more than 100m workers.

It is not surprising factories tread warily. Even adjusting wages can be a risky business. A recent report from Yunnan province said a truck driver went beserk after a row with his bosses over pay and rammed his vehicle into cyclists and pedestrians, killing nine and injuring 25. Chen Deping, aged 43, was executed.

The Wuhan Diesel Engine Factory claims to be a model of reform. When Wuhan established a sister city relationship with the German city of Duisberg, the factory brought in a retired German manager for two years to help with modernisation. Since 1987 new workers have been employed on labour contracts, and 15 per cent of the workforce is now on contract.

Labour minister Ruan Congwu has said contracts do not weaken the workers' position as "masters of an enterprise", rather they "legalise" labour relations.

In practice, contract workers can only be fired if at the end of five years their performance is found to be not good enough. Four have been sacked but the labour contract is not very different in reality from the old life-time deal.

Few companies, let alone the communist government, would be happy about laying off large numbers of inefficient workers, depriving them and their families of housing and free services and risking the growth of a hostile army of urban unemployed. The government particularly fears the emergence of a Polish-style Solidarity movement.

Most Chinese workers, surveys show, are not anxious to lose their job security either. Even a model factory such as Wuhan's diesel engine plant, is a long way from seriously grappling with the problem. Real progress, say economists, will only be possible when China develops a social security net and reforms the housing market so that shelter is not tied to employment.

The goal of a free labour market, they say, would not only give individual employers the right of hire and fire, but the workers the right to choose their job. Chinese workers who want to quit for a better job must pay their employer "compensation". A state employee who quits may find himself barred from other state enterprises. There are not enough jobs for the number who want them in the fast growing non-state sector.

Urban unemployment is put at less than 2.35 per cent, but the figure disguises a massive problem of underemployment.

Like most state enterprises the Wuhan plant is plagued by the "debt triangle" where one factory owes millions to another and is in turn owed millions by a third. It is owed 19m yuan ($4.9m) and owes 11m yuan it cannot pay until it collects its debts.

Moreover its profit level is low because the government fixes the price of its engines to its main market, the farmers. The factory would double the price if it were free to do so.

Heroic Chinese workers: not easy to sack

Japan to advance halt in production of CFCs

JAPAN is to halt all production and consumption of harmful ozone-depleting chemicals by the end of 1995, moving up its earlier target of 2000, Reuter reports from Tokyo.

The move will bring Japan in line with the US and the European Community, an official at the Ministry of International Trade and Industry (Miti) said.

Japan decided to announce the new target now so that Japan, the US and Europe would speak with one voice at the United Nations-organised Earth Summit in Brazil in June.

The Montreal Protocol calls for a total ban of CFCs and the other main ozone-destroying culprits – halons, carbon tetrachloride and 111-trichloroethane – by the year 2000.

Death sentence for white policeman

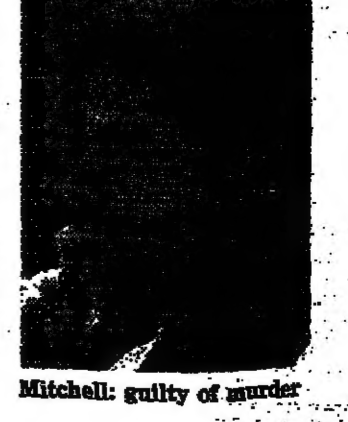
By Patti Waldmeir in Johannesburg

A SOUTH AFRICAN judge yesterday sentenced to death a white police captain convicted of murdering 11 blacks in an attack aimed at sympathisers of the African National Congress.

It was the first time a member of the security forces had been sentenced to death for a politically motivated killing, and will fuel controversy over the role of police in black-on-black violence which has left 11,000 people dead since 1984.

Mr Justice Andrew Wilson of the Supreme Court in Pietermaritzburg, Natal, found Captain Brian Mitchell had ordered four black constables to carry out the killings in the Trust Feed black settlement outside Pietermaritzburg in December 1988. The court heard that Mitchell had meant the constables to kill ANC sympathisers whom he regarded as terrorists but that the wrong people, including women and children, were attacked. The constables were also convicted of murder and received effective jail sentences of 15 years each. In giving judgment last week, the judge said there appeared to have been attempts at a cover-up.

No death sentences have been carried out since President F.W. de Klerk announced a moratorium on executions two years ago.



Mitchell: guilty of murder

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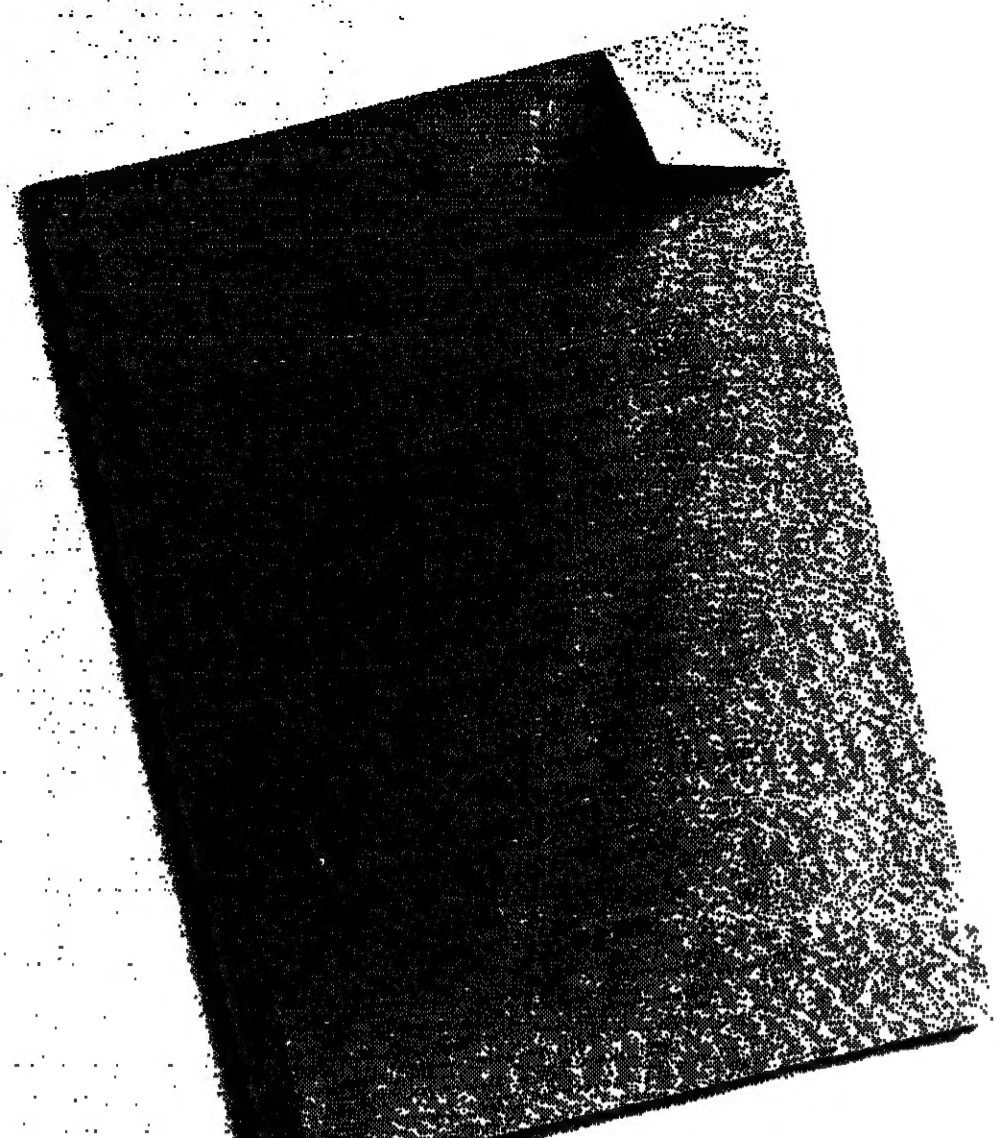

There are some accomplishments in a company's life that stand out more than others. At Rank Xerox, our involvement with the creation of Expo '92 is surely one of them.

The dream of Expo '92 was inspiring: to celebrate 500 years of human discovery and innovation by bringing over 100 countries together. But the dream was also daunting: it meant creating from scratch a multi-lingual organisation of thousands of people.

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To learn more about all the ways we can help turn your business dreams into productive realities, give us a call.

Or better yet, come see us at our pavilion in Sevilla.

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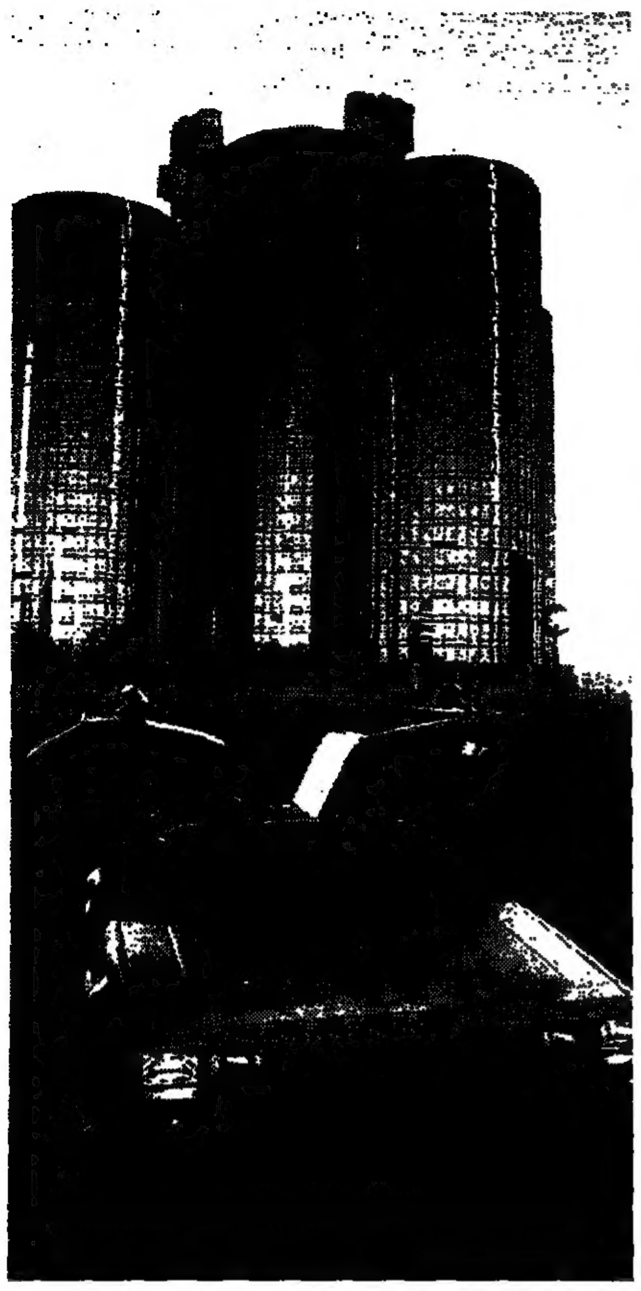
Former Lotus chairman admits taking part in conspiracy to defraud car venture

Guilty plea in $17m De Lorean fraud case



Broken wings: The infamous De Lorean sports car

By John Griffiths

FORMER Group Lotus chairman Mr Fred Bushell yesterday admitted taking part in a $17.65m conspiracy to defraud De Lorean Motor Cars, the Belfast sports car venture which collapsed spectacularly 10 years ago after nearly £78m of UK government funding had been invested in it.

The guilty plea at Belfast Crown Court came as the government and Cork Gully, receivers for what was possibly the most humiliating project ever funded by UK taxpayers, intensified their efforts to recover some of the government's investment in the abortive development of the stainless steel sports car..

So far, just under £14m has been recovered. However, Mr Christopher Hughes, the principal receiver, said yesterday that he expected further "substantial" sums to be recovered.

This is apart from legal action being taken by the government in the US against Arthur Andersen, the De Lorean auditors.

The government is suing for £240m, claiming that the accountancy firm should have been aware of mismanagement, misinformation and misappropriation of funds.

In another twist Arthur Andersen has called Mrs Margaret Thatcher, the former prime minister, as a witness in its efforts to prove government incompetence in assessing and monitoring the project.

The decision to invest £53m in the project was made by the Labour government in 1978. Top-up funds continued to be provided after the Tory election victory of 1979, mainly because of the 2,000 jobs at stake in one of the UK's most depressed regions.

According to evidence given by the late Sir Kenneth Cork, the first De Lorean receiver, the money "went walkabout"

Mr Bushell, 64, who underwent heart bypass surgery last year, admitted conspiring with Lotus' founder, the late Colin Chapman, and Mr John De Lorean to defraud the Dunmurry, West Belfast-based venture, of funds originally intended to pay Group Lotus.

The money was never received by Lotus. Instead, according to evidence given by the late Sir Kenneth Cork, the first De Lorean receiver, the money "went walkabout".

Mr Bushell will be sentenced in six weeks' time and was freed on continuing bail of £50,000. He has been on bail since July 1989, when he was first accused of the conspiracy.

Mr De Lorean was not in the dock with Mr Bushell because he is in the US and cannot be extradited. The offences took place between 1978 and 1982 and the time in which Mr De Lorean could have been extradited expired in 1988, shortly before the Serious Fraud Office was set up. Mr De Lorean, founder and chairman of De Lorean Motor Company, is still wanted by the SFO and the Royal Ulster Constabulary and will be arrested if he returns to the UK.

Yesterday Mr Desmond Boal QC, defending, said Bushell realised the consequences of his plea but needed time to put certain matters in order which could be in the public interest.

Mr Bushell spoke only twice during the six-minute hearing - first when he was asked if the court clerk could repeat his name, and then to admit his guilt. A second charge against him of obtaining $5.15m by deception was not proceeded with.

Share underwriters face cartel inquiry

By Norma Cohen, Investments Correspondent

THE OFFICE of Fair Trading has begun an inquiry into whether City institutions are operating a cartel by setting standardised fees for underwriting share issues. Companies who sell shares to the public have told the OFT that they are unhappy about being unable to negotiate costs.

"We are conducting a general inquiry into the fixed costs associated with underwriting," the OFT said, adding that no formal investigation was underway. "Our concern is whether there is any price-fixing or other anti-competitive activity going on."

The fact all companies are charged the same fees regardless of the risks their securities pose or their choice of underwriter had also prompted the OFT to examine the matter.

While the OFT had not received any formal complaints, it had been made aware of "general comment" from companies about their inability to negotiate fees. It will decide whether to launch a formal investigation after receiving more information.

Lens solution probe

The Monopolies and Mergers Commission is to investigate the cost of contact lens solutions following complaints from the public.

Issues of price and competition in the £40m UK market for lens solutions were raised by the Office of Fair Trading, which referred the matter to the MMC yesterday.

"Suppliers of contact lens solutions may be enjoying high rates of return, suggesting that price competition in this market is not as effective as it might be," said the OFT.

The OFT has previously inquired into possible anti-competitive practices in the sale of securities.

Last spring, it opened an informal inquiry into the sale of Eurobonds following a change in that market's underwriting practices designed to restore profitability. The OFT decided after a few months there were no grounds for a formal investigation and dropped the matter.

In the case of shares, underwriting fees for initial public offerings or rights issues fall below prescribed levels only in circumstances such as government privatisation issues.

Brokers receive 0.25 per cent of the total amount sold, while underwriters earn 0.5 per cent of their portion. Sub-underwriters, typically pension funds, life insurance companies and institutional fund managers, earn 1.25 per cent.

The OFT wrote in March to several City trade associations seeking information on how profitable underwriting and sub-underwriting has been for institutions over the past 10 years and the frequency with which issues "fail", causing losses for underwriters.

The Institutional Fund Managers Association, the National Association of Pension Funds and the British Merchant Bankers Association have received the letters, and have all been asked to provide information.

City institutions defend the process of fixed fees, saying that variations of risk are reflected in the price charged for the shares rather than in the commissions.

Bank's ethical code counters the accounts of the unsavoury

Andrew Jack on the Co-op's plan to clean up on customers

TURNING AWAY customers may seem an unusual way to gain business, but for the Co-operative Bank it is an inevitable part of the ethical policy it launches today.

The bank's 12-point code reflects its attitudes towards a number of business activities. The bank says it will not support, invest in or supply financial services to regimes, organisations and individuals involved in:

- The oppression of the human spirit, taking away the rights of individuals or manufacturing torture instruments.
- Providing weapons to countries with oppressive regimes.
- Cosmetics testing on animals.
- Exploitative factory-farming methods.
- Blood sports.
- Production of animal fur.
- Tobacco manufacturing.

In addition, it says it will try to ensure that its services are not exploited for the purposes of money laundering, drug trafficking or tax evasion, and that it will encourage business customers to take an active stance on the environmental impact of their own activities.

Such an aggressive position has its drawbacks. The bank has identified six existing customers which appear incompatible with these objectives, including five organisations involved in blood sports. All are likely to be asked to remove their business within the next three months.

A sixth is a farm that derives a small proportion of its income from battery farming. The bank is already in discussions with the business, and hopes to persuade it to change its practices and remain a customer.

The negative effects are likely to be minimal, however. The total value of these six accounts is about £100,000. Mr Terry Thomas, managing director, estimates that at worst it will lose one account for every 10 it gains.

He says that since news of the ethical policy leaked last week, the bank has received "hundreds" of calls and letters, only one of which was not supportive. One customer opened an account with a £60,000 deposit as a direct result.

The Co-op has few large corporate customers, and only a handful of those are quoted. About 250,000 of its accounts are held by small and medium-sized businesses. The vast majority – about 1.25m – are personal customers, mainly individuals who appear sympathetic with the policies.

While the bank says it has always operated ethically, this is the first attempt to develop a formal written set of policies. The issues were selected after detailed market research including a questionnaire sent to 30,000 customers last November. Most of the respondents supported the code, with only 2 per cent strongly disagreeing.

A total of 90 per cent of respondents said the most important issue to them was human rights, while 60 per cent said tobacco manufacturing was the issue they felt most strongly about. Any issue, such as nuclear power and the testing of drugs on animals, which less than 60 per cent of respondents felt was most important was not included in the final policy.

What remains to be seen is how far the bank can effectively enforce its principles, and how many new customers will be sufficiently committed to ethical banking to switch their allegiance.

"There's no denying this is a marketing initiative," says Mr Thomas. "Why else do it? But we are not part of the long-haired sandal brigade. We are socially concerned bankers."

MR Thomas emphasises that the ethical code is the second "chapter" of its customer charter, launched last year. The first pledged that no financial information would be released to third parties without the customer's approval. The third will be a much more detailed statement on environmental policy.

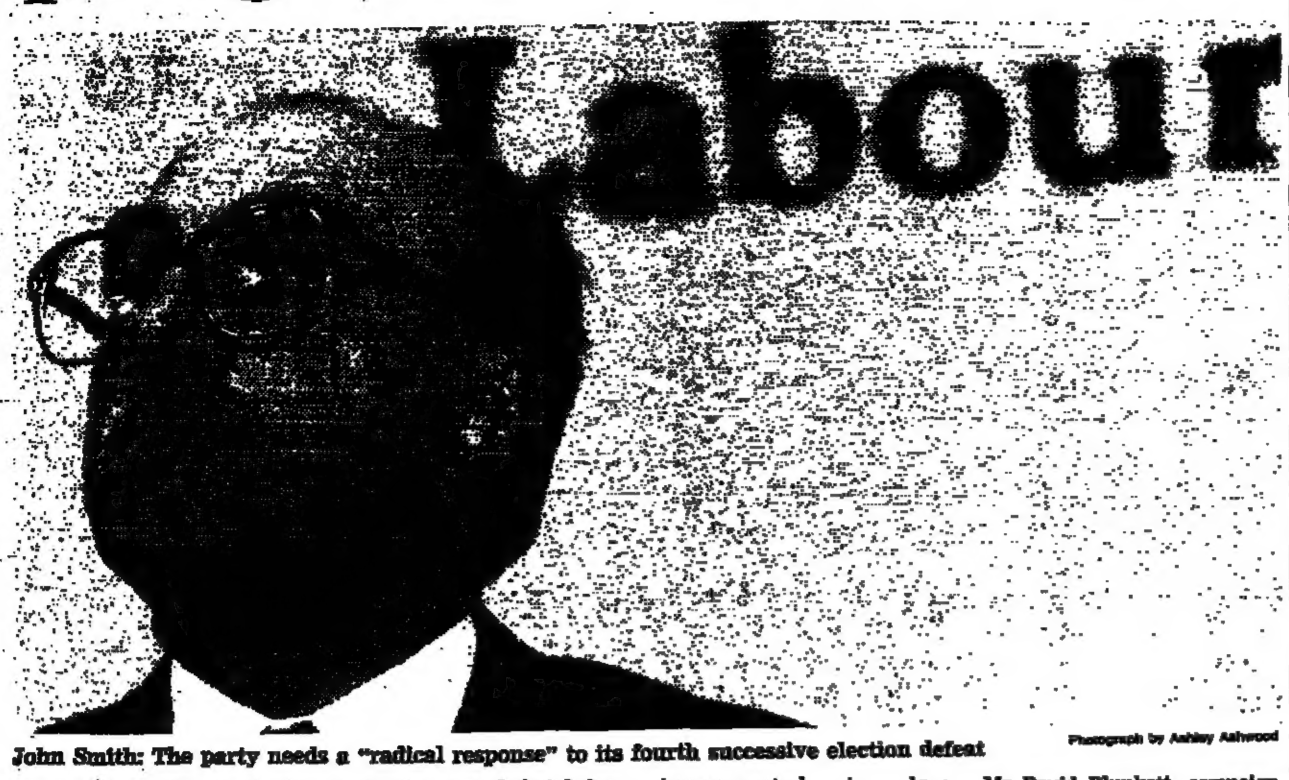
The new policy fits in well with the history of the bank and its sister organisations.

The Co-operative movement began in the 1840s when a small group of workers known as the Rochdale pioneers formed a society owned by its members to provide them with cheap food, educational services and divide up any financial surplus left over between them.

The bank is a wholly-owned subsidiary of one of its largest arms, the Co-operative Wholesale Society, which was founded in Manchester in 1863.

Smith pledges a fairer society

By Ivo Dawney, Political Correspondent



John Smith: The party needs a "radical response" to its fourth successive election defeat

Photograph by Ashley Ashwood

MR JOHN SMITH, odds-on favourite in the opposition Labour party leadership contest, yesterday unveiled a personal manifesto aimed at broadening the party's support by promoting a fairer society with "an economic strategy from which everyone gains".

To quash criticisms that a Smith leadership would represent "more of the same", the "shadow" chancellor said no policy must be seen as "out of bounds". The party needed to make a "radical response" to its fourth successive election defeat.

Central to his agenda is the creation of a wide-ranging Commission on Social Justice, drawing on independent advice, to review wealth distribution, welfare policy and taxation in an effort to forge a national consensus on reform.

In a key passage in the 11-page document, Mr Smith said the chief challenge to European parties of the left was how to address societies in which two-thirds lived in relative security and comfort while a third did not.

The task of government was not to prescribe and direct but to create an "infrastructure of opportunity" with policies that "bring fairness to the minority who are in poverty while commanding the support among the majority who are not".

Presenting the document, entitled New Paths to Victory, Mr Smith underlined his continued belief in a minimum wage and a redistributionist tax policy. But the paper says that the goal of full employment was best served by empowering people to find their own ways out of poverty.

Hinting at the need for a sharp reduction in the role of the unions, he added that the party's first task was to ensure that all big policy decisions are taken on the basis of one member one vote.

Beyond internal reforms and a fresh debate on tax and social policy, Mr Smith's manifesto also argued that Labour must position itself as the party of the consumer not the producer, challenging the power of monopolies and big business.

He stressed closer integration in Europe and pledged himself more firmly than before to constitutional reform, including a renaissance of local government, the devolved power to the regions, a Freedom of Information Bill and a Bill of Rights based on the European Convention, fully incorporated in law.

While reiterating a pledge from Mr Neil Kinnock, the outgoing leader, to invite outsiders to join Labour's review of electoral systems, he stopped short of endorsing reform for Westminster.

Mr Smith rejected political pacts with other parties but insisted Labour would, under his leadership, attempt to represent the 58 per cent of voters who rejected the Conservatives at the last election.

Reacting to the manifesto, Mr David Blunkett, campaign manager for Mr Bryan Gould, the rival leadership contender, said the challenger's policy positions had clearly forced Mr Smith to adopt a "slight change in style and approach."

However, Mr Blunkett said that Mr Gould would launch his own rolling manifesto after the May 7 local elections. The leadership contest ends at a special meeting of Labour's electoral college, including unions, MPs and constituencies, in London on July 18.

Costing of European work directive 'arbitrary'

By David Goodhart, Labour Editor

THE GOVERNMENT'S assertion that the European Community working-time directive would initially cost British industry £5bn is based on "a fairly arbitrary measure", according to a senior statistician at the Department of Employment.

A Department of Employment internal memo on the costing of the directive admits that no allowance has been made for industries exempted from the directive, such as transport. It also predicts that employees working more than 48 hours a week, the limit required by the directive, will successfully resist a proportionate cut in earnings as their hours are reduced to comply.

"The overall offsetting cut in earnings [from phasing out working more than 48 hours a week] will not be more than half the cost of restricting working hours", says the memo.

The present cost to employers of staff working more than 48 hours a week is £7bn a year. The Department of Employment seems to assume that the costs of hiring new staff or paying for more overtime to accommodate the reduction in the working week will be about the same. But it then assumes a total cost of £3.5bn for this part of the directive, based on the prediction that employees whose hours are being cut will resist cuts in pay.

"There is not much evidence behind the assumption but we have had quite a lot of discussion about it", said Mr Bill Wells, a statistician at the Department of Employment.

The only other significant cost to employers is given as £1.4bn from introducing four weeks annual paid leave, although that does not take account of the three-year period of grace for introducing that measure.

Mr Wells points out that, cost arguments aside, UK employees register a high level of satisfaction with their existing working time arrangements.

He also says that the directive goes against the grain of annual working-time agreements which allow employers to use their assets for longer periods and allow employees large variations in the working week. About 6 per cent of UK employees currently have annual-hours agreements, and the idea is also being taken up in some other EC countries, especially Italy and Belgium.

Supporters of the directive argue that it could improve productivity if employees are flexible enough.

Britain in brief

Kinnock considers role in EC

Mr Neil Kinnock, the opposition Labour party leader who is to stand down from his post in July, is considering standing for the presidency of the Confederation of Socialist Parties in Europe, due to be vacated by Mr Andre Spitaels of Belgium next month.

The Confederation of Socialist parties of the EC has 16 member parties, because it groups socialist and social democratic parties, with two from the UK (Labour and Ulster's SDLP), two from Italy, two from Belgium and one from Austria.

It is an umbrella organisation, whose main function is to write the socialist manifesto for the five-yearly European Parliament elections, and set guidelines for general policy in the EC. Leaders of its member parties meet twice a year, before EC summits.

The chairmanship is part-time, without pay except expenses. Mr Spitaels, is leader of Belgium's french-speaking Socialist party.

Ironically, it was Mr Kinnock who last year expressed the most reservations about the confederation tightening its structure.

For this reason, confederation officials regard that Mr Kinnock, as chairman, would be well-placed to remove remaining Labour party hesitations about a bigger role for the organisation.

BAe freezes executive pay

British Aerospace has frozen the pay of 2,500 management staff throughout the group this year as well as reducing directors' pay last year.

The management pay freeze was disclosed by Sir Graham Day, the outgoing chairman, at the company's annual shareholders meeting.

It reflects the continuing difficulties the group is facing in several of its main business activities including commercial aircraft, cars and property, because of the economic slump in these markets.

Sir Graham told shareholders the company felt it was appropriate in the circumstances to freeze the pay of executive staff.

Teletext UK beats Oracle

Oracle, the teletext company owned by all the ITV companies has been ousted by an outsider, Teletext UK, in the bidding for a new licence.

The Independent Television Commission announced that Teletext UK, whose shareholders include Associated Newspapers, Philips Electronics and Media Ventures International, a media investment fund, won with a bid of £8.2m a year in 1993 prices.

The company plans to provide a local news business and sports service on teletext pages for 15 cities from Aberdeen and Belfast to Plymouth and Southampton, as well as a national service.

Associated Newspapers, publishers of the Daily Mail and Philips Electronics, one of the pioneers of teletext technology, each hold 45 per cent of the venture with Media Ventures owning the final 10 per cent.

Big insider dealing trial

A "network of friends" employed in financial institutions used price-sensitive inside information about imminent takeover bids to make profits for themselves or clients, it was alleged at the Old Bailey, London.

In the biggest UK insider *dealing prosecution five people* deny charges under the 1985 Company Securities (Insider Dealing) Act.

The alleged offences relate to three takeover bids in 1988. Hawthorn Leslie Group, the USM-quoted cellular phone company, acquired ECT Cellular and London Car Telephones; Goodman Fielder Wattie, an Australian company, made a bid, which lapsed, for Rank Hovis McDougall, the UK foods group; and Mecca Leisure acquired Pleasurama, the leisure group.

UT investment reaches £956m

Unit trust investments picked up in March with gross sales for the month reaching £956.2m, the highest figure since April 1991. Sales were boosted by institutional investment ahead of the election and by private investors placing funds into Personal Equity Plans before the end of the tax year.

New greenhouse gas timetable

The government set a new timetable for combating the emissions of greenhouse gases. It declared its aim of reducing emissions of carbon dioxide to 1990 levels by the year 2000 – rather than 2005.

"It is hoped that all industrialised countries can make a similar commitment at the final session of the Climate Change Convention negotiations currently taking place in New York," the statement said.

Gas profits

British Gas's agreement with the Office of Fair Trading to halve its share of the industrial gas market by 1995 could cut the company's profits by £100m a year or 10 per cent of its overall income, said Mr Robert Evans, chairman.

But he said the company had developed strategies to compensate for that reduction in its UK business and was on target for earning 40 per cent of its profit from international exploration and production with 20 per cent coming from its Global Gas unit by the end of the decade.

Lloyd's Names

Lloyd's of London said it is considering measures to help Names hard hit by recent losses and said that the first moves to introduce reforms recommended earlier this year by the Rowland task force had been taken. Mr Alan Lord, chief executive, said the Council "discussed in broad outline" the possibility of providing a measure of financial assistance to Names – the individuals whose assets support underwriting at Lloyd's – facing severe underwriting losses.

Christopher Lorenz welcomes evidence that non-executive directors are at last flexing their muscles

Knives are out in the boardroom

Seldom can company chairmen and chief executives have been more nervous than they are this spring. Not only are bosses on both sides of the Atlantic facing the renewed threat of corporate takeover, but they are also suffering a much more personal fear – of being knifed by their own board colleagues.

General Motors set the trend last month when its outside directors took action after years of intense frustration at the leviathan's poor performance. They demoted the company's chairman by ousting him from his post as head of GM's *top strategic forum. This sent tremors throughout corporate America:* if it could happen at GM, it could happen anywhere.

Now the chairman of Britain's Barclays Bank, Sir John Quinton, seems to have suffered an even worse fate by being asked to retire earlier than he had intended. His *sin was not only to preside over* Barclays' sliding performance through the recession. He also made several odd decisions, such as somehow finding the time to become chairman of England's controversial new Premier soccer division.

To many people, moves like those at GM and Barclays represent a new and welcome era in better corporate governance: the overdue flexing of muscles by non-executive directors, often in concert with institutional shareholders, when a company fails to deal promptly with its problems.

But how new is the trend? And *how much does it really promise for* better governance?

Whatever the true details of the Quinton affair (versions vary), it will send as many shock waves through British boardrooms as has GM's in the US. But it is not a new development: back in late 1990 and 1991, as the recession tightened its *grip, the non-executive directors* and institutional shareholders of a number of over-extended, medium-sized companies dispatched the offending bosses summarily.

These events could just spell a new era in governance, but there is a *host of reasons why they do not* necessarily do so.

For one thing, such cases are still the minority, and still generally occur too late to avoid the company being damaged in the meantime. The last chairman of British Aerospace was allowed to hang on far too long before being deposed.

In many cases, as the labyrinthine Maxwell scandal demonstrated only too graphically, non-execs remain supine or powerless in the face of a chairman's neglect of the business, or even his suspected misuse of it.

This may be because he has used his old boy network to appoint a *bunch of cronies* – as is the case far too often – but this is not necessarily the reason. Just as debilitating to the potential power of quite respectable non-execs may be any of the following:

● The paucity of their number relative to that of the executive directors. There is still no minimum *requirement for the number of non-*executive directors (some boards have none at all), and very few British companies have a majority of non-executives on their board, unlike their US counterparts.

● Their inadequate representation *on audit, nomination and remunera*tion committees, not all of which exist in many companies in any case.

● Insufficient mechanisms to ensure that they have access to the same information, formal and otherwise, as the executive directors.

● Even when they do possess such *information, they may not have* time to digest it and organise the necessary political consensus in support of their point of view.

● Even if they are capable of acting independently, non-execs who are full-time managers of one company *may pull their punches* when acting in a non-executive capacity elsewhere, out of an innate fear of encouraging non-execs on their own boards to rock the boat too often.

The list could be lengthened still further. Most fundamental of all, in the words of John Scott-Oldfield, a management consultant who has *helped construct a number of* very effective UK boards, "the capability of non-executives is only as good as the chairman allows the board process to be. He must be both enlightened and open".

In principle (though once again, not necessarily), this is more likely to be the case if the chairman's role *is split from that of the chief execu*tive. Theoretically, non-execs should be able to exert most influence when the chairman is also non-executive, and therefore identifies his interest closely with theirs. But plenty non-executive chairmen *are merely figureheads who are* given the run-around by a powerful chief executive or managing director. One well-known MD used to snigger whenever his non-exec chairman's name was mentioned.

It may be pure coincidence that at two of the UK companies where non-execs have most clout, BOC and Grand *Metropolitan*, the jobs of chairman and chief executive have not been separated. What this does suggest is that the degree of enlightenment of the person in the top post can be more important than the formal structure of his or her job.

That said, such best practice *is* rare, and enlightenment is a less *common and reliable commodity* than are formal safeguards.

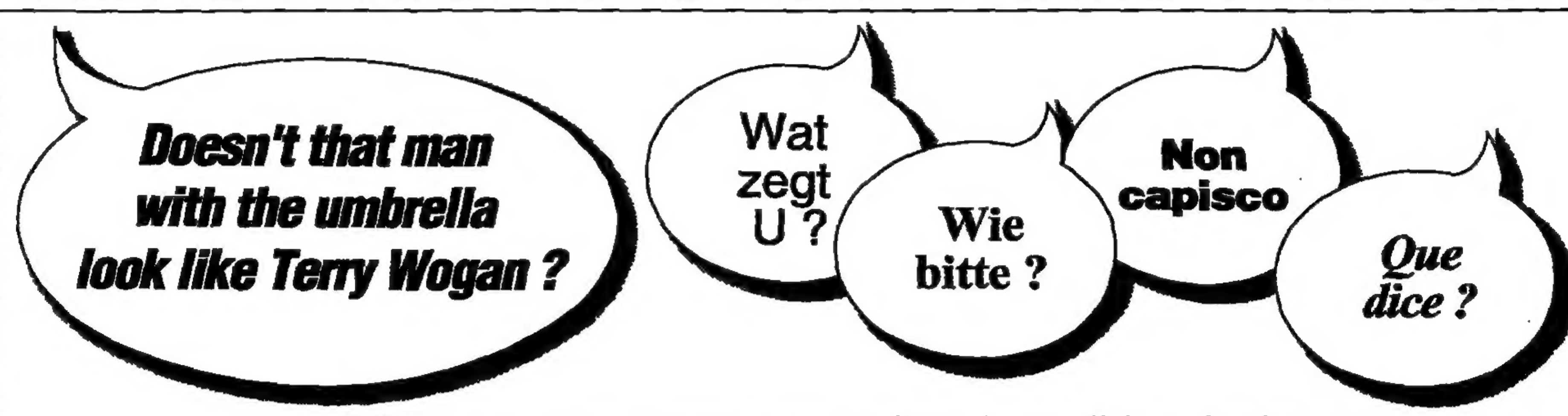
So the new UK Director of Public Prosecutions, Barbara Mills, was right in principle at this week's Institute of Directors' annual convention to advocate separation of the top two roles. This can also be done by adopting the American habit of splitting the post of "chief operating officer" from that of the executive chairman.

As well as advocating "active and effective" non-executive directors, *Mills called for* the creation of audit, nomination and remuneration committees.

There is certainly a need for either regulation or legislation to guarantee non-executives exclusive membership of audit and remuneration committees. Instead of relying on "recommendations", like so many *half-hearted* past efforts at corporate governance in Britain, the Cadbury Committee on the *subject* should advocate that these moves, and others, be enforced.

Only then will all Britain's public companies, rather than just a few, start to be governed properly.

In the meantime, directors of most large enterprises will continue to harm employee motivation, and their companies' reputations, by paying themselves too much, and by clutching at corporate power long after they should have quit.



Lucy Kellaway has some advice about talking in English to foreigners

When fine words will butter no parsnips

They can be spotted in expense account restaurants all over the world: British businessmen shouting in English, while their dining companions sit smiling and nodding in polite confusion. The British have never been good at foreign languages; it seems they are not much better at speaking their own to foreigners.

*Complacent in the belief that any*one worth talking to can communicate in English, and ignorant of what it is to struggle in a foreign language, British managers make few concessions.

When faced with a floundering foreigner, they tend either to shout or to speak very slowly. Both approaches can be downright insulting: foreigners are not deaf and if they do not understand something, they will still fail to grasp it delivered *at a snail's pace. In extremis,* the British adopt a foreign accent, hoping that talking like Inspector Clouseau will make it easier for a Frenchman to get the point.

It need not be like this. Companies know that poor communication can mean lost business; many are realising that it is can be cheaper and quicker to train staff to use their own language than to start *teaching them new ones.*

Cert*, a London-based training consultant, has been teaching executives "foreigner-friendly English" for the last four years. Marianne Aston, the architect of the course, says the main difficulty facing foreigners is not that the British mumble or speak too quickly. It is more that the words they use are too complicated and the grammar too convoluted. *She argues that* if executives follow a few simple rules, *communication* will go a little *more* smoothly.

VOCABULARY
This is the biggest stumbling block. Most British executives have no idea how limited the vocabulary of a foreigner is likely to be. To pass the equivalent of A-level exams in a language, you need about 2,000 words, while a native speaker will *use 10 times as many.*

The secret is not to avoid the *most complicated words but to* make a point of going for the very simplest. If you want to say that someone has a lot of money, say they are rich. Don't say they are well-off, wealthy, loaded, well-healed, affluent or opulent.

Colloquial words should be treated with care: even people who speak no English understand "OK"; fewer are likely to be familiar with "gobsmacked".

IDIOMS
Some idioms will be comprehensible, and others not so. You need to pick and choose carefully. For instance, a foreigner can probably understand "We'll cross that bridge when we come to it", but will almost certainly be perplexed by "a piece of cake". If you tell them to "pull their socks up", they will probably reach under the table.

There are a few idioms that sound alright but are not: "At the end of the day", can cause an upset, as your audience will almost certainly take it to mean you want something by 6pm.

GRAMMAR
Try to think in sentences that do not need punctuation. There should be one idea expressed in each sentence and no sub-clauses.

Avoid all meaningless little filler *noises, as these may convince the* foreigner that you are about to say something.

If you start saying "Um", they may expect you to say umbrella. Many languages do not have any such noises.

For example, in Scandinavia, if people have nothing to say, they are quiet.

Indeed, silence is helpful to foreigners as it gives them time to collect their thoughts.

CULTURAL REFERENCES
Any reference specific to one culture should be avoided altogether. Don't say to someone in Budapest: *"Doesn't he look like Terry Wogan".* Also, do not talk about British qualifications, standards or brand names without explanation.

FALSE-FRIENDS
Be careful with words which may mean something quite different in a foreign language. If you tell a Spaniard that you are "embarrassed", he is likely conclude that you are pregnant.

UNDERSTANDING THE FOREIGNER
The problem is not just making sure that the foreigner understands you. There may be difficulties in the other direction.

Here, there are fewer short cuts, as understanding someone with very poor English is going to involve unpicking their particular accent. This obviously varies *according to where they are from.*

For instance, when a Frenchman says "ease", he may actually mean "his" "he's" or "is".

But if you do not understand, do not be critical. Make it seem that it is you, not the foreigner, who is being slow.

**Cert. Tel 071-924-3444*

Bringing wizardry to book

Louise Kehoe heralds the arrival of a new generation of consumer electronics products

What do you get when you blend the latest in communications, computer and consumer electronics technologies into a single pocket-sized device? The answer, US electronics industry executives are predicting, is a potentially huge market for a broad new class of electronic gadgetry.

Examples may include an electronic calendar and phone book with a built-in telephone or an electronic reference book or service manual that displays text and graphics, an electronic notebook you can write on, or a pocket facsimile machine.

The key elements of these futuristic products are miniature computers with built-in communications capabilities. Speech recognition, handwriting recognition and interactive video will play an important role in making this new generation of electronics products far easier to use than today's personal computers or even conventional consumer electronics products such as video tape recorders.

Silicon Valley is abuzz with excitement about the potential for a new market that might consume vast quantities of semiconductor chips and provide new opportunities for computer manufacturers and software developers.

"We think there are going to be billions of these devices out there, and at some point sales of these new devices will surpass those of personal computers. We are guessing what is going to happen before the end of the century," says John Sculley, chairman and chief executive of Apple Computer.

Firing the imagination of Apple and many other companies is the prospect of a "fusion" of the computer, communications, information services, publishing and office equipment industries, driven by the emergence of common digital technologies, to form a $3tn (million million) "information industry" by 2000.

Apple plans to launch its first "personal digital assistant" to address this nascent market next year. "Newton", according to industry insiders, will be a notepad-sized tablet with a pen, instead of a keyboard. It is expected to incorporate a diary, phone book and other "personal organiser programs".

Although Apple is the most visible contender for a share of the emerging personal electronics market, it is not alone. IBM, AT&T and Hewlett-Packard also have their eyes on the prize, and Japan's consumer electronics companies are not ignoring developments.

Sharp Electronics, of Japan, has partnered with Apple to manufacture its first personal electronics product. Sony is also expected to be involved in Apple's future consumer electronics efforts.

Hewlett-Packard is planning to build a family of "information appliances" following the success of its first hand-held computer, the 95LX, with sales of more than 100,000 units over the past year.

"I think you can imagine whole classes of products that allow computer users to go everywhere with sophisticated networks," says John Young, HP chief executive. HP will not reveal details of its product plans but the company says that it aims to address needs that have not been met by its first hand-held computer such as a larger screen and keyboard, for word processing applications, and a pen interface with handwriting recognition.

And then there are the start-up companies, each aiming to become "the next Apple Computer", by conquering the market for carry-along computers. General Magic, an Apple spin-off, is said to be developing a "personal communicator", but is keeping details of its product plans quiet.

Eo Computer, a potential competitor, is using a pen interface for a similar product. Poqet Computer, a pioneer in the hand-held computer market, has also launched a pen-computer that it is aiming at "walking workers" such as delivery services and policemen, who must fill in forms or record customer's signatures.

Poqet is sceptical about the more ambitious plans of other pen computer manufacturers and maintains that the broader market will not develop until handwriting recognition technology is improved.

Other technical factors that could retard market growth of personal electronics devices include the difficulties associated with incorporating cellular or radio communications in a battery-powered computer.

"Power consumption remains an issue for wireless communications," says John Vermes, vice president of market development at Vadem, a company that has designed notebook and laptop computers for several leading manufacturers. Current colour flat panel displays are also power hungry, making it difficult to incorporate them in battery-powered computers.

Price will also be an important factor in the development of a mass market. It is generally agreed that the first generation of information appliances must be offered at no more than $1,000 (£565). To reach a broader market, however, they will have to sell for less than half of that price.

Another problem is that nobody has yet been able to come up with a suitable name for these products. "Pocket computers" is as good as any, but computer makers are shying away from it because they believe that computers are intimidating and ultimately many of these products will be aimed at consumers.

Industry consultants sometimes refer to the new class of products as "sub-notebook" computers because they are smaller than the standard notebook computer and in some cases may be larger than a pocket computer. "Companion computer" is another suggestion.

Apple Computer calls them "personal digital assistants", while Hewlett-Packard favours "information appliances". Whatever they are called, they are surely to become ubiquitous if the amount of money and energy that is being applied to bringing them to market is any indication.

Nevertheless, several important marketing questions remain. The big issue is whether information appliances should be dedicated to a range of related tasks, or whether that should be general-purpose computers which like desktop personal computers can be reprogrammed to perform new tasks.

Apple sees digital personal assistants as dedicated devices. "Unlike PCs which are general-purpose products, personal digital assistants will focus on specific functional capabilities," says Sculley.

But according to Microsoft, the leading personal computer software developer, that is a mistake. "Focusing on a dedicated device is an example of applying old thinking to a new problem," says Nathan Myhrvold, Microsoft product planning executive.

"Anything that you can do in a dedicated device today you will end up being able to do better in a more general-purpose device very soon," he maintains.

Microsoft regards hand-held computers as another platform for its system and applications software and recently announced an extension of its popular "Windows" program for pen computers.

Yet compatibility with desktop computers is not necessarily important in the emerging market for carry-along computerised tools. If sales live up to expectations, many users of personal electronics devices will not be personal computer users.

The promise of a huge new market is buoying the spirits of recession-weary American electronics companies. Despite their enthusiasm some fear that the "personal digital assistant" may turn out to be another short-term wonder like the digital watch.

There is also an underlying fear among US companies that like the video game and the video tape recorder the market for this new generation of consumer electronics products may ultimately be dominated by foreign manufacturers.

'A computer in every pocket'

"CALL BILL" you scrawl on the screen. Your personal digital assistant displays the telephone numbers of all the people you know called Bill. Choose one, by pointing with a pen, and the machine dials the number.

Bill agrees to meet you for lunch next Thursday at 12 noon. "Lunch with Bill, Los Angeles, Thursday, 12 noon," you write.

Up pops your diary opened to the appropriate date with a tentative entry saying 12 noon, lunch with Bill.

"Is that correct, the machine asks?" OK, you respond. "Fax Geoff" is your next command. "Join me for lunch with Bill on Thursday," you write. Point to Geoff's fax number and the message is sent.

But where to eat? Pull out your electronic restaurant guide and look for a quiet, moderately priced, French restaurant within five miles of your office . . .

This is real life in the mid 1990s, according to the computer companies whose ambitions have grown beyond the desktop to put a "computer in every pocket".

Worth Watching · Paul Taylor

Voice mail comes to the rescue

In the aftermath of the devastating explosions that killed 200 people in Guadalajara, Mexico, last week, thousands of people desperate to hear from friends and relatives found telephone lines jammed, writes Louise Kehoe.

In response Telefonos de Mexico (Telmex) transformed its new corporate "voice mail" service into an emergency message system. By making a free telephone call victims of the disaster were able to leave messages, as could callers from outside the area.

Telmex staff, making use of lines not available to the public, passed on these messages. In the two days following the disaster, Telmex received some 13,000 messages to the emergency service and delivered word from victims to at least 4,000 anxious relatives and friends.

What made Telmex's rapid response to this tragic event possible was a recently purchased Centigram Communications' programmable voice processing system. Designed to provide "voice mail" services to large corporations, the system was remotely reconfigured from the manufacturer's California headquarters in a matter of minutes. Centigram Communications: US, 408 428 3502.

Diesel fuel comes clean

Water contamination in diesel fuel can cause breakdowns, particularly in cold weather when the water freezes.

Unlike other diesel additives Aquasolve, a new product marketed by Shurflo, of Reigate, Surrey, and based on research by the Thermo-Fluids Engineering Research centre at City University in London, bonds the water to the fuel to form a solution that burns cleanly with no adverse effects or power loss.

Shurflo also claims the blending helps improve combustion, cleans engines and reduces emissions. Aquasolve is equally effective treating fuel contaminated with sea water and prevents bacteriological growth caused when diesel fuel is stored in tanks. Shurflo: UK, 0737 242282.

Writing is on the wall for shoplifters

Retailers can cut shoplifting losses by using a new device developed by Knogo, the Marlow-based subsidiary of the the world's biggest electronic article surveillance producer, writes Richard Lapper.

The device, dubbed KnoGlo, is a tag filled with indelible crimson or yellow stain which ruins articles if unauthorised removal is attempted.

One version, the mini KnoGlo, is designed for use with a Knogo's electronic anti-theft system, while the Universal KnoGlo can be attached to most brands of tags.

On a three-month test marketing trial the mini-tag was fixed to designer jeans in stores where losses of 5 per cent had been recorded. No thefts took place during the period. Knogo: UK, 0628 483040.

Kebabs, kebabs and more kebabs

As every cook knows making kebabs can be a time-consuming process, especially if the requirement is for thousands and not just a handful.

Nijal, a French company, has produced the first automated system for producing kebabs, capable of producing a mould of compressed meat every 40 seconds and up to 7,500 kebabs weighing 100 grams each an hour.

Food such as beef, pork, chicken or fish is placed in a mould and compressed. It then enters the machine where the meat is skewered, centred and cut into kebabs. The production process is controlled by a programmable logic controller with the number of kebabs produced displayed on screen. In addition, the process produces no waste. Nijal: France, 31 4297 0625.

LEGAL NOTICES

No. 004127 of 1992
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
HOARE GOVETT LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 22nd April 1992 for the confirmation of the reduction of the Share Premium Account of the Company by £76,983,607.

AND NOTICE is further given that the said Petition is directed to be heard before the Honourable Mr Justice Millett at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 11th day of May 1992.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said reduction of Share Premium Account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 1st day of May 1992.
CLIFFORD CHANCE, Royex House, Aldermanbury Square, London EC2V 7LD.
Ref: KO.
Solicitors to the Company.

Notice of appointment of Administrative Receivers.
MOGUL TRADITIONAL FOODS LIMITED
Registered No: 2009815. Trading name: Mogul Traditional Foods Limited. Trade classification: 04. Name and address of joint administrative receivers: David John Stokes and Michael Joseph Moore, Cork Gully, 1 East Parade, Sheffield S1 2ET. Office holder numbers. 2682 and 5592. Date of appointment: 27 April 1992. Name of appointer: Royal Bank of Scotland plc.
Signed: D J Stokes Date: 27 April 1992

Advertisement of Hearing of Petition
1992 No 2403P
THE HIGH COURT
IN THE MATTER OF
IMPSHIRE THOROUGHBREDS PLC
AND IN THE MATTER OF
THE COMPANIES ACTS 1963 - 1990

Notice is hereby given that a petition presented to the High Court on Thursday 2 April 1992 for confirming the reduction of the capital of the above named company from £10,000,000 divided into 10,000,000 shares of £1 each to IR£2,000,000 and that such reduction be effected by cancelling capital which has been lost or is unrepresented by available assets to the extent of IR£0.80 per share upon each of the 7,275,000 shares of the said 10,000,000 shares which have been issued and are now outstanding, and by reducing the nominal amount of all shares in the company's capital from £1 to £0.20 is directed to be heard before the High Court on Monday 18 May 1992 at 11 o'clock in the forenoon at the Four Courts, Dublin 7.

Signed: McCann FitzGerald,
2 Harbourmaster Place,
Custom House Dock, Dublin 1.
Solicitors for the company
Ref: TMcC

FT LAW REPORTS

Digest of Hilary Term cases

ENSIGN TANKERS (LEASING) LTD v STOKES
(FT, March 17)

Ensign and four other British companies participated in a scheme whereby they contributed $3.25m to the cost of the making of a film in return for 25 per cent of the exploitation receipts. The scheme was a single composite transaction embodied in 17 documents. Under the scheme, a partnership agreement was made between Victory Film Productions Ltd as general partner and the five British companies as limited partners. Victory was a wholly-owned subsidiary of LPI, the Californian production company. The partnership was granted worldwide exploitation rights by LPI. In the tax year 1980 to 1981, the partnership incurred capital expenditure of $3.25m in the provision of "plant", namely the film. The negative belonged to the partnership, subject to the distributors' exclusive exploitation rights. It also owned 25 per cent of the exploitation receipts. The partnership therefore fulfilled the conditions necessary to generate a first year allowance of $3.25m under section 41 of the Finance Act 1971, provided the expenditure was incurred "for the purposes of the trade". Allowing Ensign's appeal that the transaction was a trading activity, the House of Lords stated that the *Ramsay* principles did not apply to the $3.25m, because that was a real – and not a magical – expenditure, so that a trading transaction could plainly be identified.

DAVY OFFSHORE LTD v EMERALD FIELD CONTRACTING LTD
(FT, March 18)

By a contract dated November 30 1982 between Emerald and Davy, Davy was to supply a platform called a floating production facility (FPF) and other works. Davy was concerned that title to the goods and works might pass to Emerald before it had been paid the greater part of the contract price, and without its receiving some of the documents necessary to operate a letter of credit opened in its favour. In determining when and in what circumstances title would pass, Mr Justice Hobhouse concluded that the property was to pass upon acceptance by the bank of the documents, that is, at the time when the bank decided that they complied with the requirements of the credit. Dismissing Emerald's appeal, the Court of Appeal stated business sense supported that construction. One would not expect the parties to provide that passing of title should be deferred until trivial amounts were paid, but not until Davy was in a position to draw the largest proportion under a letter of credit.

THE LAW DEBENTURE TRUST CORPORATION v THE URAL CASPIAN OIL CORPORATION LTD AND OTHERS
(FT, March 20)

By agreements in 1986, each of the four Russian companies, who were the first four defendants in the present action, entered into covenants with Law Debenture Trust as trustee for the shareholders. Each company covenanted to pursue its compensation claim for loss of business since the Russian revolution and confiscation of their assets by the Soviets and to pay any compensation it received to the trustee. In each agreement, Leisure which had made an offer for the entire share capitals of the Russian companies, covenanted to procure that the company could perform its covenants and not part with control unless the transferee entered into similar covenants. Leisure then agreed to sell its entire shareholding to another company H, (the fifth defendant) and imposed no requirement that H should covenant with the trustee. H transferred its shares to C, the sixth defendant. In striking out parts of the statement of claim and in giving leave to amend, Mr Justice Hoffmann stated that the question was whether there was an authority to impose a positive duty to perform the covenants of a predecessor and whether interference with contractual relations could be extended to interference with the remedies arising out of a broken contract. The case would be argued at the trial when the relevant facts could be established.

THE REPUBLIC OF SOMALIA v WOODHOUSE DRAKE & CAREY (SUISSE) SA & OTHERS
(FT, March 24)

When a cargo of rice, bought and paid for by the Republic of Somalia, arrived off Mogadishu, the master refused to enter port because of the fighting. In the shipowners' summons against the charterers as to what was to be done with the cargo, Mr Justice Hirst ordered that it be sold and the proceeds paid into court. The "interim government" of Somalia now sought the funds in a payment out of court. Refusing, Mr Justice Hobhouse stated that whether a government existed depended on: (a) whether it was the constitutional government; (b) the degree, nature and stability of administrative control it exercised over the territory; (c) whether the UK government had any dealings with it; and (d) (in marginal cases) the extent of international recognition. On the evidence of the instant case, the "interim government" did not qualify as an existing government under those criteria.

ISC TECHNOLOGIES LTD AND ANOTHER v GUERIN AND OTHERS
(FT, March 25)

The plaintiffs, who were English companies, were the subsidiaries of International Signal and Control Group plc (ISC) which merged with Ferranti plc in 1987. The plaintiffs claimed that between 1983 and 1989, Mr Guerin, executive chairman of ISC and other persons, conspired to commit fraud falsely to inflate ISC's profits and deceive Ferranti. After final judgment had been entered against all but two of the nine defendants, leave was granted to serve proceedings out of the jurisdiction on an ISC director, Mr Pindell, on the allegation that he had knowingly participated in the fraud. Refusing Mr Pindell's application that leave should be set aside, Mr Justice Hoffmann stated that in Cordoba Shipping [1984] 2 Lloyds Rep 91, it was held that where the substance of an alleged tort was committed within a certain jurisdiction, it was not easy to imagine what other facts would displace the conclusion that the natural forum was the courts of that jurisdiction. In the instant case, that *prima facie* conclusion had not been displaced.

POLLY PECK INTERNATIONAL LTD v NADIR & OTHERS
(FT, March 27)

The administrators of Polly Peck International had been granted a Mareva injunction *inter partes* against Central Bank, a North Cyprus bank, within the UK and limited to £38.9m. The administrators contended in a pleaded case of constructive trust, that Central Bank either had actual knowledge that the funds were being improperly diverted away from PPI, or that circumstances should have put the bank on inquiry that that was so. Discharging the injunction, the Court of Appeal stated that first, PPI's case against Central Bank was no more than speculative. Second, it was wrong in principle to grant a Mareva injunction so as to interfere with the normal course of the defendant's business. To impose a Mareva injunction that would have that effect in order to protect a cause of action that was no more than speculative was not simply wrong in principle, but positively unfair.

REGINA v SPENS
(FT, March 31)

The fraud proceedings against Lord Spens were discontinued when the health of his co-defendant, Roger Seelig, broke down and it was decided not to proceed against Lord Spens alone. In refusing an application that a verdict of not guilty should be entered, Mr Justice Henry stated that Section 17 of the Criminal Justice Act 1967 provided that where the prosecution proposed to offer no evidence, the court "may if it thinks fit, order that a verdict of not guilty shall be recorded". In exercising that discretion, the court would grant a permanent stay by ordering the indictment to lie on the file so that Lord Spens would be treated in the same way as Mr Seelig. Further, the defendant's costs under section 16(2)(a) of the Prosecution of Offences Act 1985 would be refused because, by his conduct, he had brought prosecution on himself. However, with regard to his legal aid contribution, on the figures before it, the court was satisfied that Lord Spens' financial position was not such as would enable him to pay legal aid contribution and, having regard to his overall liabilities, the entire contribution would be remitted.

Aviva Golden

PEOPLE

Citi-banker for EBRD

David Hexter is moving after 20 years at Citibank to head up and build the financial institutions group of the merchant banking side of the European Bank for Reconstruction and Development.

An experienced commercial banker, he already knows eastern Europe from Citi. Since 1988 he has been divisional executive for the US bank's central and Eastern European operations, where his role included overseeing the establishment of two wholly owned subsidiaries, in Czechoslovakia and in Poland, last year. Citi, one of the foreign banking pioneers in the region, has also had a joint venture with the National Bank of Hungary in Budapest since 1985.

Hexter, 43, is attracted to the EBRD job "because the brief is a much broader and more difficult one". He describes the mandate as catalysing the growth of private sector financial institutions in the former eastern bloc.

This will entail a combination of direct equity investment from the EBRD, sometimes in tandem with foreign shareholders, as well as a raft of technical assistance to existing, mostly state-owned local entities, along the path towards privatisation.

■ Bill Bruce, a founding member and md of Plasboard Plastics, has been appointed to the board of its parent, INISHTECH. Plasboard's finance director has retired but remains a non-executive director of Inishtech.

■ Clive Snowden, finance director of BTR Industries - Aerospace Group, is appointed group finance director of BURNFIELD. Sul Sahota, corporate finance director, also joins the main board.

■ Simon Coventry, formerly marketing director of Brel, has been appointed HALCROW's director responsible for railway activities.

■ Ian Douglas, formerly finance director of BAe's enterprise company, is appointed finance director of SOUTH WEST WATER SERVICES.

■ Stephen Owen has been appointed finance director of BRIXTON ESTATE; Robert Nicholls and Martin Kidd have been appointed directors of Brixton Estate Project Management and Brixton Estate Management, respectively.

■ Robert Coleman, formerly finance director of Fairey's filtration division, has been appointed finance director of Caradon Plastics, part of MB-CARADON.

■ Having joined Jardine Matheson, Christopher Cowan is also appointed to the board of DAIRY FARM INTERNATIONAL HOLDINGS.

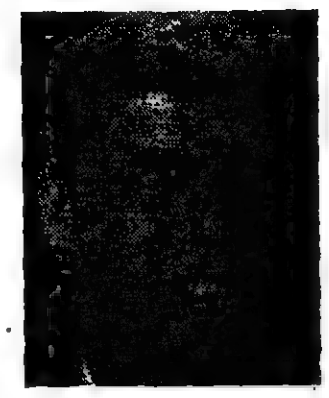
■ Andrew Cummins is joining INCHCAPE as director, strategic development and will be a member of the main board. Having worked for McKinsey in the US and Australia, he joined Elders IXL Ltd as group director, strategy and was involved in its restructuring. He left last June.

■ Richard Hanwell, formerly chief executive of Norton Opax and chairman designate of Farnell Electronics, is to be the non-executive chairman of SCOTTISH HERITABLE TRUST on the retirement of Cochrane Duncan in May. Brian Shoosmith is stepping down as chief executive but will continue to look after the group's interests in the US. Stuart Macdonald, finance director, will combine his role with that of chief executive.

■ David Evans is appointed a director of ALPHAMERIC.

The argument against dumping

John Ward, appointed to Cranfield School of Management's newly created chair in strategic information systems, sees his principal task as finding ways for business people to appreciate the problems and potential of computers – without their having to get involved in the technology.



He is particularly concerned by the current trend towards "outsourcing", where managements hand over their information requirements to a contractor from outside the company.

Some organisations, he agrees, have clear objectives in farming out their data processing; others, perhaps the majority, are simply dumping a function which they find hard to understand or manage.

"If a company finds it difficult to control information technology in house," he says, "it will find it even more difficult to manage it out of house." And if the computer systems are of strategic importance to the company – which most are, these days – reversing the situation will prove expensive, he predicts.

Ward, now 45, spent 15 years in industry as an information systems manager, most recently with International Business Machines and Kodak.

He joined Cranfield in 1984, fascinated by the links between business and information systems strategy.

Christopher Edwards, who holds the chair in management information systems at Cranfield, and Ward are planning a research centre; Asda, Procter & Gamble and BP Chemicals, for example, are involved in a research project on the efficiency of inter-company electronic messaging.

Hammond posted to East Midlands

John Hammond, sales director of The Post Office, is taking time off from selling parcels to promote the "unsung" merits of the East Midlands.

Hammond, 54, is taking two years' secondment to become the chief executive of East Midlands Enterprise and of its governing body, the East Midlands Investment Campaign.

East Midlands Enterprise (EME) has been launched by the East Midlands Confederation of British Industry and local authorities in the area to encourage inward investment.

Hammond, who will leave behind his chauffeur-driven car, has a sound track record in selling; 25 years in sales and marketing with Unilever and SmithKline Beecham before joining The Post Office as sales director in 1984. He says the technique for selling soap powder, toothpaste and the Post Office are the same; "You have to communicate with people."

He admits he was frustrated in the public sector for a number of reasons, including the slowness of decision-making. Keen to demonstrate his entrepreneurial skills, he says he already has a clear business plan for the region and a "unique and creative promotional plan". Recent inward investors to the region include Toyota, the Japanese car manufacturer.

Empire building

Empire Stores, the Bradford-based mail order group which is now owned by La Redoute of France, has appointed Michael Sheard deputy managing director.

Sheard, who currently runs the company's buying functions, reports to, and will substitute for, Jean-Baptiste Tefra, Empire's managing director, whenever he is absent. Tefra lives in Paris and has substantial business interests in France.

Sheard says: "Empire has established an excellent relationship with La Redoute. But the company clearly needs a deputy in these unusual circumstances – and he is me."

The Crafts Council/Susan Moore

Britain pays homage to emigré craftsmen

It is all so familiar. The City of London street sign with its typeface designed by Berthold Wolpe; Marianne Straub's blue/green-chequered moquette that covers the seats of the Piccadilly Line and the London buses; Alvar Aalto's utilitarian birchwood schoolroom stool; the distinctive dustjackets of 1940s and '50s Faber & Faber.

The Crafts Council's current show reminds us how easy it is for the British to overlook the fact that so much of what has come to be considered quintessentially English is rooted firmly in wider European traditions. Even the title of the exhibition illustrates the point: "Influential Europeans in British craft and design". I thought we were European; obviously the Crafts Council disagrees. Perhaps unsurprisingly, this richly varied and not uninteresting show is muddled and, for an exhibition about things European, depressingly parochial.

Too much is taken aboard. There is a passing nod to the craftsmen who settled in Britain before the 20th century, and a fragmented selection of disparate contemporary work. The show begins with a 17th century Mortlake tapestry panel woven by Flemish weavers, 18th century Huguenot silver and mid 19th century crystal made in Stourbridge by Bohemian refugees. It closes with Elisabeth Holder's minimalist jewellery, André Dubreuil's steel neo-Rococo "Ram" chair and Jan Zalud's chilling wooden automata.

There is a central coherent group, albeit unhelpfully dispersed. Its furniture, ceramics, textiles and typography are witness to the impact of Bauhaus Modernism on design throughout Europe, and to the exodus of well-trained professional craftsmen and designers from Central Europe during the 1930s. To Britain came ceramicists Lucie Rie, Hans Coper and Ruth Duckworth, for instance, and jeweller Gerda Flöckinger. A ream of textile designers and weavers, including Zika Ascher, Jacqueline Groag, Margaret Leischner Marianne Mahler, Tadek Beutlich and Hans Tisdall, rapidly made their mark on textile design and production. Typographic and graphic design was transformed by Wolpe, at Faber's 1941-75, Hans Schmoller at Penguin – responsible for our Pevsners – Hans Schleger and F.H.K. Henrion.

Entry into Britain up until 1938 was restricted to those with proof of adequate financial resources, and sponsors were crucial. Ralph Beyer, whose serene and beautifully judged inscriptions for Coventry Cathedral are a highlight of the show, arrived through the good offices of his art historian father's friend, Erich Mendelssohn. Margaret Marks came through the assistance of Heal's, which had been the principal outlet for her ceramics. Most of the men were interned in 1940, and so too was the weaver Margaret Leischner, a gentile. There is a dignity and courage about these sombre works of the 1930s and '40s.

What is more difficult to convey (and no attempt is made) is the shock of the starkly functional Modernist aesthetic. The British Arts and Crafts movement in particular had become increasingly insular and isolated. How did, say, the clean lines and controlled decoration, and urbanity, of a Lucie Rie cup and saucer look to those used to Leach's traditional fat-bellied brown jugs? The response can be gauged in part by the success in Britain of what became known as Scandinavian Modern, which represented a more human face of Modern Movement mass-production with its respect for natural materials.

It is revealing, too, that it was the emigré craftsmen rather than the architects and designers who tended to remain in Britain. Marcel Breuer, for instance, whose plywood "Long Chair" stretches out across the show's central space, came to Britain in 1935 to join the architectural practice of F.R.S. Yorke, but left for America two years later. Britain seemed to prove more congenial to Rie (DBE), Coper and Flöckinger (CBE) who established international reputations from a British base.

The quirky individualism and integrity that continues to characterise the applied arts in Britain have attracted later generations of students from all over Europe. That brings us back to the scrolls of André Dubreuil, a pioneer of the new metal furniture who has now returned to France, and the Post Modern desk of Floris van den Broecke, currently the head of the Royal College of Art's furniture department. The dialogue between Europeans continues much as before.

"Influential Europeans" continues at the Crafts Council Gallery, 44A Pentonville Road, Islington, until June 14, and travels to Truro, Cardiff, Hull and Wakefield.

'Pretending to be a fish and paying the price for it' by Jan Zalud, 1991. Lime and various woods

Dance/Clement Crisp

Claude Brumachon

French "modern dance" is one of the curiosities of the theatrical decade. For years, France welcomed the experiments of visiting American creators with a characteristic eagerness for the new. The consistently vital programming at the Théâtre de la Ville in Paris, the wonderful Biennale de la Danse in Lyon, the choreographic competition at Bagnolet, are symptomatic of this willingness to enjoy innovation. The decision to start propagating more of the home-grown product, to bring into being a nationally indentifiable modern dance, a manifestation of the 1980s in France, and extensive coverage in the magazine *Les Saisons de la Danse* offers valuable testimony to this.

If ministerial and departmental patronage, and a committed public, are enough, then France has a lively Free Dance identity. The problem is, as I have discovered to my cost, that much of this dance is rootless, provincial, intellectually costive. Though we starve much of our own new dance, the work of Robin Howard and Robert Cohan for the London Contemporary Dance Trust gave modernism strong roots, physical credibility through excellence of schooling and essential points of reference for development, . and even rejection. In France, this foundation is missing.

The Place has been generous in offering a show-case to dance troupes, from Britain and Europe. Alastair Macaulay and I have charted on this page the torrent of ineptitude – it could not be otherwise – and recorded with hosannas the arrival of some few vital talents. The evenings of French dance have been, in the main, very taxing on a critic's willingness to enjoy, and never more so than on Tuesday night when Claude Brumachon returned with his troupe. Brumachon's ensemble forms the *Centre Chorégraphique* at Nantes. His programme provides two works (each lasting 50 minutes) of staggering tedium. The first (*Eclats d'Absinthe*) shows four men and five women having hell in a Hamam, repeating feeble little gestures *ad nauseam*, and slamming their bodies about with a fine disregard for breakage. It is a terrible indictment of mixed bathing.

The second piece, *Fauves*, is worse: more repetitious, more pretentious, and even less probable as choreography. For part of the time the cast behave as if in the last stages of delirium tremens. One chap strikes oriental poses and makes ungainly little runs, as if it were his turn this week to impersonate Ruth St. Denis. There is a good deal of heavy breathing. Costuming is uniformly hideous, and the sound tracks are detestable. Lighting is excellent. Advance publicity spoke of dance "passionate, sensuous, erotic" – the writer is probably driven mad with lust by blotting paper – and one woman in the cast obligingly went topless all evening. In the closing moments, Brumachon pulled off a most beautiful imago as a man and woman in trailing garments lay on some parallel bars while a second man became a boatman ferrying them to eternity. But this was no compensation for the aeons of aversion therapy that had preceded it.

"The Turning World" season continues with varying troupes at The Place, Duke's Road, London W C 1, until May 23.

Theatre/Karen Fricker

The Humana Festival, Louisville

"Why do we have the Humana Festival? Because I live in Louisville, Kentucky, and I want to live in an interesting place." Thus John Jory, producing director of the Actors Theatre of Louisville, explains the hidden agenda behind the Humana Festival of new American plays, which he founded 16 years ago and has now become America's premiere trade show.

During Special Visitors Weekend, – "big weekend" to locals, the penultimate weekend of the six-week festival – a dizzying array of agents, theatre professionals and critics from New York, Hollywood, the regions and abroad convene to sift through the festival's offerings looking for next season's hit. Most who came to Louisville to "shop" this year were disappointed – a representative of one large dramatic publisher said it was the weakest for ten years.

In purely theatre-business terms, few of the plays at Humana were viable products which could, in their current states, make it on to Broadway; but since Broadway is more interested in money than art, that says little about their artistic merit. Jory thinks that much of the exciting work in the American theatre is happening outside the mainstream and many non-traditional plays were featured in this year's festival. He will continue to present adventurous work in future festivals, whether commercial producers like it or not.

The most exciting play in the festival was Jose Rivera's *Marisol*. Rivera's play is similar in scope and theme to Tony Kushner's *Angels in America*, now enjoying a successful run at the National Theatre in London. Both plays portray a pre-millennial America in such dire straits that angels come down to save it. While Kushner takes Aids as his central theme, Rivera addresses the alienation of minority cultures in urban America. Marisol (played by Karina Arroyave) is a young professional Puerto Rican American who denies her background every time she goes to work: "I amputated neat sections of my cultural heritage ... keeping so much pain so far deep inside my Manhattan bosses and Manhattan friends and my broken Bronx conscientiousness never even suspected."

Marisol lives in a New York where apples are extinct, the moon is hiding behind Saturn's rings, and her guardian angel deserts her to lead a celestial rebellion against God. No longer protected from the horrors of urban life, she wanders into a nightmare world of lunatics, neo-Nazis and credit card debt collectors. Rivera interweaves possible and impossible situations – some clearly imaginary, some familiar from the news, some, says the programme note, from Rivera's own life – constantly displacing the viewers' sense of what is real. Rivera succeeds in reminding the audience that Mirasol's world is becoming our own.

But his message is one of hope. In the final moments of the play the angels are joined in their battle by "the disenfranchised of the earth ... the poor, the homeless, the frightened." Mirasol's guardian angel – a butch black woman in leather and high-top sneakers – crowns herself lord of the new millennium and, in director Marcus Stern's final stroke of genius, stepped out of the world of the play into the theatre's elevator for her final exit.

'John Jory, the producing director of the Actors Theatre, thinks that much of the exciting work in American theatre is happening outside the mainstream and will continue to present adventurous work in future festivals'

London's Royal Court has expressed interest in producing *Mirasol*, and American productions at La Jolla Playhouse in California and the New York Shakespeare Festival are in the works.

Another highlight of the festival was Jane Anderson's *Lynette at 3 O'Clock*, co-winner of the National 10-Minute Play Contest. The play featured witty and well-wrought dialogue, and the Humana production had one flash of directorial inspiration: by slipping a bed on its side and standing the actors against it the viewers had the ceiling's eyeview of the sleepless Lynette and her boyfriend Bobby, which Anne O'Sullivan as the loopy Lynette exploited hilariously.

The other Contest winner, Lanford Wilson's *Eukiah*, was a moody tale of deceit, well played by Mark Shannon and Shaun Powell; the third 10-Minute offering, Joyce Carol Oates' *Procedure*, a spare exploration of people's need to dull their responses to death. Both productions aspired and achieved modestly.

Local audiences loved Marsha Norman's *D. Boone*, which celebrates Kentucky's hero Daniel Boone and refers heavily to Kentucky lore. Actors Theatre commissioned the play, which was funded by the Honourable Order of Kentucky Colonels, a charitable organisation. Norman's dialogue is witty and crisply written, but the play is troublingly schematic. The central character is a contemporary woman, Flo, who dislikes her world so much that she wills herself into the past to be with a perfect "real man" – Boone. The play becomes an uncomfortable mix of Back-to-the-Future caper and contemporary domestic drama, with various of Flo's suitors joining her in 18th century Boonesborough and finding therapy for their personal problems by helping Boone battle the Indians. Flo, though, never stops defining herself by the men around her, and some of Norman's other characterisations are equally troubling – implacable Indians, and a gay museum curator who gains real man status in Boone's world.

The two other festival plays addressing American history and culture were not nearly as slick as Norman's, but more admirable in intent and imagination. John Conklin's *The Carving of Mount Rushmore* is an investigation of the creative process, mixing historical monologues about the creation of the mountain monument with poetry, music, and visual images. Conklin, an accomplished designer, designed and directed the Humana production, which was certainly beautiful to look at, but came across more as a work-in-progress than a finished product.

Evelyn and the Polka King, by book writer John Olive, lyricist Bob Lucas and composer Carl Finch, is also not finished yet, but could, when complete, trigger a renaissance of that most mid-Western of musical forms. Even Big Weekend's icy Saturday night audience was thawed by Hank Czerniak's (Tom Ligon) second-act sing-along, "I lover to hear the vendor shout, kielbasa beer and sauerkraut."

The festival's more conventional productions were well-wrought and executed – *The Old Lady's Guide to Survival*, by Mayo Simon, a funny and touching exploration of ageing and Alzheimer's, and Ross Maclean's *Hyaena*, a strongly gripping evocation of a world of twisted values that successfully forces viewers to re-evaluate their own. Under Mladen Kiselov's tight direction, William McNulty gave a harrowing performance as the Hyaena, a carer of the sick and dying who preys on their agony, and Michael Hartman excelled as his victim.

Two one-acts, David Henry Hwang's *Bondage* and Suzan-Lori Parks' *Devotees in the Garden of Love*, presented under the heading "Rites of Mating", were interesting but eventually unsatisfying experiments. Hwang and director Oskar Eustis investigated preconceptions about race by wrapping the performers, Asian-American actor B.D. Wong (Tony Award winner for his performance in Hwang's *M. Butterfly*) and Caucasian actor Kathryn Layng in full-length leather as they played out sexual fantasies based on the racial stereotypes in an *S & M* parlour. Parks' rich language was the highlight of her play about disappointment in the courtship wars, whose meaning, however, remained opaque to most viewers.

OBITUARY

Stephen Oliver

Stephen Oliver, who has died at the age of 42, was an English theatre composer of extraordinarily profuse gifts. By the time he was 20 he had written a *Duchess of Malfi* opera, a number of other operas, and an even larger number of pieces in various smaller musico-dramatic forms. The remainder of his tragically short life he devoted to pouring out an abundance of music of every sort – not just to serve dramatic purposes, though this tended to bulk large in his work-list, but also for orchestras, chamber ensembles and singers of all sorts.

He was a choirboy at St Paul's Cathedral before going on to Oxford, where his *Duchess of Malfi* first attracted wide attention. Thereafter, his ability to produce works of both effortless practicality and immediately attractive character in every style and form drew him to the notice of television, film and theatre companies. The scores for the celebrated RSC adaptation of *Nicholas Nickleby* and for the musical *Blondel* (written by Tim Rice) stand out among a vast number of others.

In the purely operatic field, apart from the early *Duchess of Malfi* and the 1976 *Tom Jones* staged by the now defunct English Music Theatre, he will probably be best remembered for the various adaptations that he made for the *Musica nel chiostro* Festival at Batignano in Italy, and for the beautifully elegant, well-made *Beauty and the Beast* opera (1984) commissioned by the same source.

Last year's ENO commission, *Timon of Athens*, proved to be an attempt at a large-scale work that failed, perhaps because of its insistence – so uncharacteristic of Oliver – on aiming at a "big statement" opera rather than a practical, purposeful vehicle for singers. (No doubt this was because Oliver wrote it when he was already an advanced AIDS sufferer.)

The works of his that one guesses will last are those in which his imaginative light touch, witty approach to word-setting and profoundly (but never self-consciously) civilised musicianship found a just balance. As well as being a musical performer of many parts, he was a gifted writer and a splendidly ebullient conversationalist who regularly took part in radio discussion programmes.

Max Loppert

INTERNATIONAL

ARTS PREVIEW

& EXHIBITIONS

This year's Glyndebourne Festival, which begins tomorrow and runs till July 24, is the last to be held in the theatre built by John Christie in 1934. Building of a new, larger opera house is already under way, and the existing theatre will be demolished in August.

The opening new production is Peter Grimes, conducted by Andrew Davis and directed by Trevor Nunn, with the American tenor Stephan Drakulich in the title role and Vivian Tierney as Ellen. Davis also conducts Graham Vick's new production of Tchaikovsky's Queen of Spades (opening on June 15), with Felicity Palmer as the Countess, Nancy Gustafson as Lisa and Sergey Leiferkus as Tomsky.

The only Mozart opera this year is Cosi fan tutte (starting on Sunday), in the production by Trevor Nunn and designed by Maria Bjornson for the 1991 festival. The conductor is Bruno Weil, making his British operatic debut. Nikolaus Lehnhoff returns to direct the revival of his production of Jenufa (May 24), with Roberta Alexander in the title role and Anja Silja as Kostelnicka.

The final production is Death in Venice (July 3), in the production mounted in 1989 by Glyndebourne Touring Opera, with Robert Tear as Aschenbach. The London Philharmonic is again the resident orchestra, with the Orchestra of the Age of Enlightenment playing for Cosi fan tutte. The festival is already sold out, but returns are sometimes available (0273-541111).

Glyndebourne has organised a gala concert at the end of this year's festival, in aid of fund-raising for the new opera house. It will be conducted by Andrew Davis and Bernard Haitink, and the line-up of singers scheduled to appear includes Montserrat Caballé, Ruggero Raimondi, Frederica von Stade and Felicity Lott (0323-811385).

This year's Munich Opera Festival (July 6-31) is the last over which Wolfgang Sawallisch will preside. The opening production of Carmen is conducted by Giuseppe Sinopoli. Sawallisch will conduct Henze's 1960 Kleist opera Der Prinz von Homburg (221316).

EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Prints by 19th century Japanese artist Yoshitoshi. Ends June 28. Also 60 works from the Hague and Barbizon schools, collected by late 19th century Dutch painter Hendrik Willem Mesdag. Ends Aug 19. Daily

Rijksmuseum Japanese influence on Dutch Art. Ends July 26. Closed Mon

BARCELONA

Museo Picasso Max Ernst (1891-1976), German Surrealist. Ends Aug 1. Closed Mon

Fundacio Joan Miró Art from Spanish and other European collections, showing how maternity, purity and marriage have been depicted in art from medieval times to the present. Ends June 7. Closed Mon

BERLIN

Altes Museum Degenerate Art. Ends May 31. Closed Mon

Brücke Museum The Brücke: 370 drawings and watercolours by the Dresden-based group of early 20th century Expressionists. Ends May 17. Closed Tues

Schloss Charlottenburg Palace of the Gods: 1500 years of Indian art. Ends June 28. Closed Mon

FLORENCE

Uffizi Florentine drawing at the time of Lorenzo the Magnificent: the most important exhibition staged to commemorate the fifth centenary of the death of Lorenzo de Medici. It provides a complete display of the art of drawing in the second half of the 15th century, with outstanding exhibits lent by major collections worldwide, and marks the inauguration of six new rooms in the Uffizi Gallery. The exhibition, divided into 14 sections, consists of 180 drawings by Florentine Renaissance artists, including Filippo Lippi, Leonardo and Michelangelo. The two final sections are reserved almost exclusively for Botticelli, with three illustrations from Dante's Inferno and a series of monochrome on canvas studies for The Adoration of the Magi. Ends July 26

Spedale degli Innocenti Architecture in Florence and Tuscany in the time of Lorenzo the Magnificent: ornaments and wooden models of buildings commissioned by Lorenzo, as well as rare editions of texts by Alberti. Ends July 3

FRANKFURT

Schirn Kunsthalle The Great Utopia: Russian avant-garde 1915-1932. Ends May 10. Daily

Stadel Max Klinger (1857-1920). Ends June 7. Daily

GLASGOW

Hunterian Art Gallery Avant-Garde British Print-Making 1914-1960. The Hunterian's contribution to Glasgow's annual Mayfest is an exhibition of prints from the British Museum, ranging from the Vorticists through the Surrealists to the painters and sculptors associated with Cobra and Art Brut and the precursors of Pop Art. Among those represented are Wadsworth, Nicholson, Nash and Paolozzi. Ends June 27. Closed Sun

LONDON

Courtauld Institute Hogarth and Piranesi: engravings and etchings by two great 18th century printmakers. Ends June 7. Daily

National Gallery The latest acquisition, Holbein's A Lady with a Squirrel and a Starling (c1527), is now on show. Also major Rembrandt exhibition. Advance booking on 071-240 7200. Ends May 24. Daily

LUGANO

Museo Cantonale d'Arte Recent acquisitions from the Panza di Biumo collection, including works by Tapies, Kosuth, Sol LeWitt and other artists of the past 30 years. Ends July 5. Closed Mon

MADRID

Centro de Arte Reina Sofia Marcel Broodthaers (1924-1976): 200 works and films by the Belgian artist. Ends June 28. Closed Tues

MARTIGNY

Fondation Pierre Gianadda From Goya to Matisse: 160 prints showing the development of the art of etching from the late 18th century to the early 20th. Ends June 8. Daily

MUNICH

Kunsthalle der Hypo-Kulturstiftung Georg Baselitz: 120 works, mainly paintings and drawings, but also some sculptures in wood, focusing on the different themes which have marked the German artist's career over the past 30 years. Ends May 17. Daily

NEW YORK

Whitney Museum of American Art Richard Prince (b1949): mid-career survey and first US museum exhibition of the influential and sometimes controversial artist who originated re-photography and is a leading exponent of post-modernism. Ends July 12. Closed Mon

Jewish Museum African Americans and American Jews. Ends July 19

PARIS

Galerie Didier Imbert Henry Moore intime. Ends July 24. Closed Sun (19 ave Matignon)

Jeu de Paume Ellsworth Kelly: paintings, drawings and collages from the late 1940s and 1950s, when the American artist was living in Paris and developing his abstract style. Ends May 24. Closed Mon

Musée d'Art Moderne Sima (1891-1971), Czech painter associated with the French avant-garde. Ends June 21. Closed Mon, late closing Wed (11 ave President Wilson)

Centre Pompidou Czech Cubism 1910-25. Ends May 17 (Galerie du CCI). Closed Tues

Grand Palais The Vikings: 650 exhibits retracing the history of the warriors from the north. Ends July 12. Also Toulouse-Lautrec. Ends June 1. Closed Tues, late opening Wed. Advance booking on 4804 3886 (ave du General Eisenhower). Also Les Lautrec de Lautrec at the Bibliothèque Nationale (1 rue Vivienne, 2e) and other exhibits echoing Lautrec's world at the Musée d'Orsay. Ends May 31. Closed Mon

Musée D'Orsay Guimard (1867-1942), art nouveau designer. Ends July 26. Closed Mon

Louvre Clodion (1738-1814), French sculptor. Ends June 29. Closed Tues (Hall Napoleon)

RENNES

Musée des Beaux-Arts Goya the printmaker: 218 prints on loan from the Fundacion Juan March in Madrid. Ends June 14

SPEYER

Historisches Museum der Pfalz The Saliens and their imperial rule from 1024 to 1125. The first part of the exhibition, introduced by historical maps of the period, illustrates the everyday life and working environment of people of different social strata. The second section evokes the splendours of the imperial court, with gold jewellery, manuscripts and models of royal residences, and includes a study of the church's role as a patron of the arts and a rival political power. The exhibition documents how the 100 years of Salien rule shaped the course of German history. Ends June 21. Daily

WASHINGTON

National Gallery of Art Käthe Kollwitz (1867-1945): more than 100 works by the German artist celebrated for the powerful social content of her imagery, tracing her development as a draftsman, printmaker and sculptor (see also companion exhibition at National Museum of Women in the Arts). Ends Aug 16. Also Ernst Ludwig Kirchner: 40 works by the German expressionist painter. Ends Aug 16. Also Guercino. Ends May 17. Daily

FINANCIAL TIMES
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All in a good day's work

MR MAJOR'S new brand of conservatism is beginning to make its mark in Brussels. Mrs Gillian Shephard, Mr Major's new *employment secretary*, yesterday did battle with the European Community's working time directive, which lays down EC-wide minimum standards on working time, rest breaks and holidays. *She* conceded little, if anything, more than her Thatcherite predecessor, Mr Michael Howard. But she appears to have won some goodwill – and possibly even a directive that the UK could sign up to at the next meeting in June, *thanks to more* positive presentation.

The UK government has rightly opposed the prescriptive and inflexible nature of many of the directive's proposals, for example the 48-hour limit on weekly working. But, hitherto, the UK government has conveyed the impression that *any* minimum standards in the field of employment are an affront to the voluntarism of British industrial relations. This aggressive stance has created an *equal and opposite response from* the Commission and from some other EC countries that might have been sympathetic to the UK's stance. It has also led to the Com*mission's absurd introduction of* the working time directive as health and safety legislation, requiring only a qualified majority to pass, so side-stepping the UK veto.

Most EC countries, especially Germany, do not want to let the UK slip further away in the employment field than the Maastricht "opt-out" already allows. They are ready to compromise on *the working time directive, rather* than face a UK challenge to its legal basis. Indeed many of them have big objections of their own.

Armed with a fresh electoral mandate and an attitude of "yes, but" as opposed to "no meddling" the UK government might be able to coax an acceptable agreement in June. That should concentrate on making the proposals more permissive, by allowing the limits to be broken if there is no health risk, if employees volunteer, or if *unions and managers agree.*

Keating control

AUSTRALIA's new prime minister has made an impressive start. Economic recovery is under way, *inflation has collapsed; interest* rates are low; and Mr Keating's colourful adoption of the republican cause looks a potential vote-winner. Little wonder that the popularity of the Liberal opposition – labelled by him a bunch of *"colonial lick-spittlers"* – looks increasingly shaky. But Mr Keating must not get carried away in his desire to fuel the recovery. Keeping political power may best be achieved by refraining from exercising it.

The new government's desire to kick-start the recovery is understandable. *Mr Keating's past* errors as Treasurer left Labor trailing 20 per cent in the polls. After six quarters of flat or falling output, with an election looming and with the memory of 18 per cent interest rates fresh in voters' *minds, Labor* has needed to re-establish its economic credibility.

The government was wise to cut interest rates hard last year. Australia shared with the rest of the Anglo-Saxon world in the mid-1980s asset price boom following financial deregulation. It faced a similar legacy of high real interest *rates and heavy personal debts* and has also paid the price in terms of lost output.

But Labor has already gone far enough to stimulate activity. Interest rates have fallen by over 10 percentage points over the last *two years, over twice as far as in* the UK; and with the budget deficit relatively small by OECD standards, the government has also been able to introduce a growth-friendly package of higher public spending and tax cuts.

Inflation risk

Indeed, the danger now is not too little but too rapid growth. The fall in consumer price inflation to just 1.7 per cent is evidence that the past policy of high interest rates has worked; but not a *sign that they should be cut fur*ther. Further stimulus now could quickly lead to rising inflation and a widening trade deficit.

The government would be wise to sit back and let the already substantial easing of both mone*tary and fiscal policy feed* through. The policy lags are long: but output rose in the last quarter of last year and signs from retailers and the housing market suggest that recovery is underway.

Mr Keating should instead be deciding how best to change the policy framework to avoid a *repeat performance of the latest* boom-bust cycle. It is this imperative which makes studying the OECD's latest report worthwhile. Its economic forecast is, as always, ludicrously out of date and should be ignored. The OECD report expects *only* modest growth; but was finished before the fiscal package was announced at the end of February.

Independent bank

Mr Keating would be wise to follow the OECD's tentative suggestion and cede control over interest rates to a newly independent Reserve Bank charged with maintaining low and stable inflation. Mr Keating did, in fact, do a relatively good job in reducing inflation; but only after it had first been allowed to run out of control.

Only with a secure macroeconomic framework will the Labour government be able to pursue its reform agenda confidently. Australia has come a long way in the last decade from its protectionist and over-regulated past. But there is further to go: in cutting tariffs, improving transport networks, deregulating the public sector and raising educational standards.

But Australia should be wary of undermining the system of consensus wage-bargaining that has guided wage and *price expecta*tions over the past decade. True, the series of national wage accords has prevented changes in relative wages from effectively signalling shifts in supply and demand to workers. Australia's *labour* productivity growth record in the 1980s has not been impressive; but nor was that of decentralised America. The rapid fall in wage inflation during the recent recession has not been achieved in partially decentralised and uncoordinated Britain.

The Labor government *has* set *itself ambitious goals*. But Mr Keating would be better placed to pursue his constitutional and liberalising agenda if he were to relinquish control over monetary policy. It might not suit his character to give up power to his cen*tral bank; but the risks of holding* on to the policy reins outweigh the apparent gains of being able to manipulate interest rates before elections. Mr Keating has already done enough manipulating.

Railway finance

BRITISH RAIL appears to have launched an early bid in *this* year's public expenditure round, with a claim for an extra *£7bn* over the next five years. Projects needing finance include the high-speed rail link between London and the channel tunnel. A *five-year moratorium* on new rolling stock orders is threatened unless additional cash is provided.

If the Treasury is reluctant to sanction increased government funding in an already tight year, BR argues that it should be *allowed to borrow from the pri*vate sector. Sir Bob Reid, BR's chairman, has proposed that new rolling stock be acquired by leasing, with a consortium of banks providing the finance.

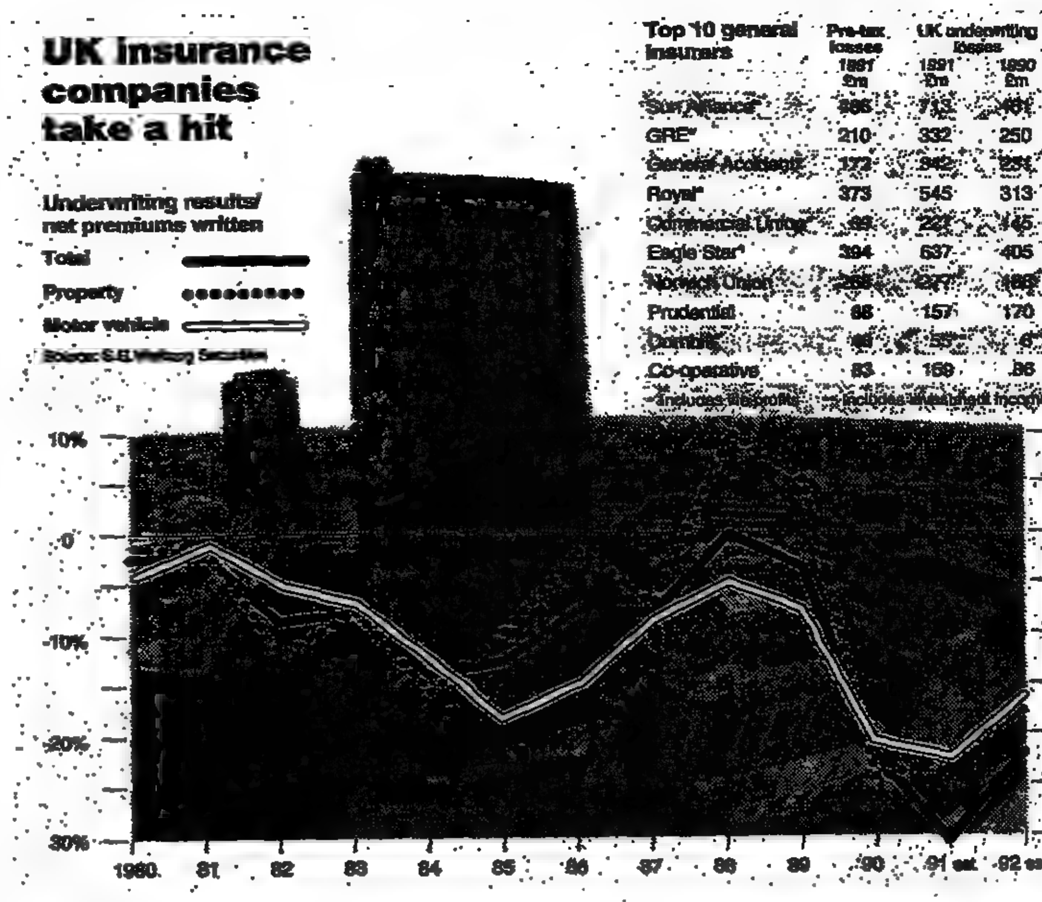
Restrictions on public sector borrowing cannot be so easily sidestepped. Because no market exists for second-hand trains, the only kind of lease that anybody would write for BR is one which made it liable for the full value of the assets. The Treasury argues – correctly – that if BR buys now and pays later, it is borrowing by another name and must be *treated* as such. The cost of 700 channel tunnel freight wagons, recently acquired under a leasing deal at advantageous terms, still counted *towards BR's borrowing limit.*

Critics of such rigour argue that other European rail operators such as France's SNCF routinely raise finance on the capital markets and lease rolling stock. But most continental railways are prone to indebtedness and need recurrent write-offs at the taxpayers' expense. If private capital is needed to modernise the UK's railway rolling stock, it would be best *admitted by opening up the rail*ways to private rail operators – as the government intends.

Rail infrastructure is a different matter. High-speed rail links between the channel tunnel, London and the regions are essential to overcome the UK's geographical disadvantage in the EC. They are unlikely to be built by the private sector, and indeed the government appears to accept a role for a publicly-owned track authority in its plans for the railways. Government funds must therefore be found to build such links without *further delay* – if necessary, by switching cash from roads.

Risky roads out of recession

UK insurers are reeling from storms and economic slowdown, says **Richard Lapper**



Top 10 general insurers	Pre-tax losses 1991 £m	UK underwriting losses 1991 £m	UK underwriting losses 1990 £m
Sun Alliance*	[illegible]	713	[illegible]
GRE*	210	332	250
General Accident	172	342	[illegible]
Royal*	373	545	313
Commercial Union*	89	227	145
Eagle Star*	394	637	405
Norwich Union	[illegible]	[illegible]	[illegible]
Prudential	88	157	170
Cornhill	[illegible]	55	6
Co-operative	83	159	86

*includes life profits; includes investment income

The IRA has joined the weather, recession and crime as the bugbears of British insurers. After last month's bombings in London, UK insurers are bracing for another round of claims likely to approach £1bn.

"Roofs were lifted, lights were blown, suspended ceilings and parti*tions collapsed," said* Mr Nicholas Balcombe, a loss assessor, after surveying the damage caused to buildings in the City by the bomb which exploded outside the Baltic Exchange on April 10.

"I've never seen damage like that *before in England*," added Mr Balcombe, whose company spent much of last year examining the aftermath of war in Kuwait.

His comments could apply equally to the state of the UK insurance industry. The IRA bombs have underlined the harsh fact that UK insurers – criticised for their mistakes overseas – are now being humbled in the market they know best: the UK.

Although they are putting a brave face on recent losses, their balance sheets have been badly hit by their worst trading results. Financial weakness is also inhibiting the insurers' capacity to take advantage of the European single market and exposing them to potential foreign predators.

Last year the pre-tax losses of the UK's five leading composites – companies which insure a mixture of general and life business – totalled more than £1.2bn, double the loss reported for 1990.

UK underwriting losses for the 10 leading general insurers – which include the composites – were £3.4bn, up from £2.2bn in 1990. Sun *Alliance*, the biggest of the composites, was the worst-hit. Last year, its UK underwriting losses amounted to £713m, contributing to pre-tax losses of £468m.

What has gone wrong? First, insurers are suffering the effects of *a round of fierce price competition* which is still continuing in some sectors of the market.

Competition from continental Europe has provided an important stimulus. Companies from Germany, France, Switzerland, the Netherlands and elsewhere have stepped up their UK activities to take advantage of the single European market next year. French companies in particular have competed fiercely by cutting rates to win a share of the lucrative, high-margin insurance bought by business rather than by individuals.

In response, UK companies in the late 1980s pushed for growth, making market share the main priority. As a result, some risks were rated at unrealistically low premiums, and underwriting losses increased. "Companies allowed their under*writing standards to slip*," says Mr Robin Mitre of Credit Suisse First Boston, the securities house.

Second, the industry has been hit by a sharp increase in weather and recession-related claims. Mr Mitre says: "Go back two years and no one would have dreamed it would have been so bad." Mr Paul Hodges, *of James Capel, another securities* house, says the scale of the insurers' difficulties was "wholly unpredictable. The companies have been utterly luckless. Everything that could go wrong has."

● The weather: Storms and subsidence caused damage of more than £3bn between 1990 and 1991. International reinsurers *now judge* the UK to be as risky as the hurricane-prone Caribbean. Sun Alliance, which insures one in four householders, paid out some £117m in subsidence claims in 1991, compared to an annual average of £20m in the 1980s. *Mr Scott Nelson*, Sun Alliance's general manager, expects claims to stay at the higher level through the 1990s.

● The recession: A combination of rising interest rates, higher unemployment and falling house prices has proved a lethal cocktail for insurers specialising in domestic *mortgage indemnity* business, in which insurers cover mortgage lenders against losses they might make on the sale of repossessed properties. Repossessions have climbed from 15,810 in 1989 to more than 75,000 in 1991.

Domestic mortgage *indemnity* claims, and provisions against future claims, are expected to total nearly £2bn for 1991 and 1992. Sun Alliance, Royal Insurance, Eagle Star and Legal and General, which underwrite about 70 per cent of all mortgage indemnity contracts, are expected to be most affected.

The recession is also linked to an increase in claims related to arson and theft. During 1991, claims for thefts payments came to £907.3m, a 52 per cent increase on 1990, according to the Association of British Insurers, a trade group. "Theft losses have now *reached epidemic* proportions," commented the securities house S G Warburg in a recent note for clients. Arson accounted for nearly half the £1.02bn in fire claims reported last year.

● *Legal awards: Liability claims* have increased. Insurers of surveyors, *for example*, face record claims from homeowners who have lost money as a result of faulty valuations. The UK's two legal expenses insurers – which pay legal costs – made big losses in 1991. More generally, the British are picking up the *American habit of turning to the* law for redress following, for example, injuries at work, the failure of companies because of bad advice and the purchase of defective products by consumers.

Insurers are tackling this array of problems in several ways. Rate increases have been imposed on most personal insurance – some motorists are paying up to 50 per cent more for policies than two years ago. In home insurance, the industry has responded to subsidence by *introducing a system of* zoning, in which householders living in subsidence-prone areas, such as the south-east, pay rates twice as high as counterparts elsewhere.

Insurers are also adopting cost-cutting measures. Staff numbers, which grew rapidly in the 1980s, have been slashed by about 10 per *cent as composites* trim the numbers of clerical staff and middle managers. Branches have also been closed to cut costs, which for the top 10 groups rose from 29.9 per cent of premiums in 1986 to 33.9 per cent in 1990.

These measures alone may be enough to restore profitability in the *short term* but *some critics* question whether they are sufficient to bring long-term strength. Mr John Ginarlis, of PA Consulting, the management consultancy group, says: "It is not just a question of putting the rates up all the time. Ways of *doing* business have to change."

Mr Ginarlis and others suggest insurers must win more control over their distribution channels to reduce costs and establish closer relationships with customers.

This could involve moves to bypass high street brokers, the *industry's traditional retail outlet* for motor business. It may also mean that insurers will renegotiate deals with building societies which sell most homeowners' policies in return for commission payments of more than 30 per cent.

Insurers should examine methods of selling direct to the public either by exclusive agents, as is common in mainland Europe, by direct mail or by telephone, says Mr Ginarlis. Analysts believe direct sales could account for as much as 50 per cent of the market within five years, a share already reached in the US and Australia.

For instance, Direct Line, a subsidiary of the Royal Bank of Scotland, is a pioneer of direct telephone sales of motor insurance in the UK. In 1990 it made profits of more than £10m, reflecting its good underwriting results.

Motor and household insurers also need to take action to control the cost of repair work, which frequently inflates claims. Domestic & General, a small family-owned company which insures domestic appliances such as *fridges* and central heating systems against breakdown, *administers the cost* of repairs directly. It has consistently recorded profits in a sector in which the composites lost money in the early 1980s.

Companies such as D & G are in tune with consumers' growing concern *to obtain quality of service*, even if this is more expensive, Mr Ginarlis believes. He argues that insurers must establish long-term relationships with customers and move from individual products to the provision of what he calls "an all-embracing *customer protection* service".

While UK insurers are thus responding positively to criticism, their room for manoeuvre is limited. Recent losses have eaten into their capital base, making them vulnerable to foreign predators and undermining their ability to expand abroad.

Since 1990, asset values have plummeted. The decline in overall stock market values in 1990 knocked between 30 and 40 per cent of the value of the composite companies' shareholders' funds, eroding balance sheet strength. For two years, companies have met losses and financed dividend payments from reserves, further eroding their capital base.

Sun Alliance, for example, saw its solvency ratio (*the yardstick which* measures net assets as a percentage of non-life premium income) fall from 119 per cent at the end of 1989 to 68 per cent at the end of 1991. Other companies have been hit harder. Royal Insurance's solvency ratio falling to 34 per cent at the end of last year, well over twice the legal minimum but just four points above a level considered to be adequate by the industry's regulators.

This decline has been accompanied by a sharp fall in insurers' share prices. The market capitalisation of Royal, the worst-hit company, has sunk by two-thirds in two years to less than £1bn. The strongest, Sun Alliance, has seen its capitalisation dwindle to about £2.2bn, less than a quarter of the capitalisation of Allianz, Germany's and Europe's biggest insurer.

Mr Claude Bébéar, the chairman of AXA, the second-largest French insurance company, last week reiterated his interest in acquiring a UK composite, whose prices he believes are now attractive. Other companies, such as Zurich of Switzerland, and UAP and AGF of France, will also be watching UK developments though they are not yet prepared to launch hostile bids. There are signs, however, that UK composites may be viewing the intentions of foreign rivals more sympathetically.

Last year, Royal agreed to set up a joint venture with two other European insurers – Fondiaria of Italy and AMB of Germany. Although limited in scope at present, the move appears designed to protect each company's independence. In the long term, other UK insurers may be tempted to explore similar options with European partners. Despite recent improvements, their current trading conditions may leave them with few alternatives. If they fail to ally themselves with stronger partners, names such as Guardian Royal Exchange may become extinct.

Joe Rogaly

Ever less standing room

Here is an unhappy little scene, played *out in Washington* on Tuesday. It was the 43rd meeting of the joint development committee of the World Bank and the Interna*tional Monetary Fund*. Several delegations, including the Dutch, asked whether something about population growth might perhaps be mentioned, just as an environmental matter. The counter-attack, led by the Saudis, was decisive. No reference to possibly the most pressing issue facing the world was allowed.

A farce with the same script has been enacted during the preparations for the Earth Summit in Rio. *The rich countries want to register* the link between population growth and the destruction of the environment; the poor do not.

This is absurd. According to yesterday's report from the UN Population Fund (UNFPA) the planet is about to be overrun by mankind. We are headed for 40 years of the fastest growth in human numbers in history. Never mind the UN's high or medium projections. On its *low* curve the world's population will increase by at least 2¼bn within the lifetimes of present-day university students. That is the most optimistic forecast. It assumes that *fertility* rates *will fall* to replacement level everywhere *tomorrow morning*. It is more sensible to accept the medium expectation, that today's 5.4bn population will double, to 10bn, by 2050.

Some idea of what this means was stated by Prince Charles last week. "I don't, in all logic, see how any *society can hope to improve its lot* when population growth exceeds economic growth," he said. For hundreds of millions of Indians, Africans and Latin Americans the consequence will be short lives of poverty and near-starvation. But the rest of us will not get off lightly. A recent joint report from Britain's *Royal Society and America's* National Academy of Sciences, quoted by the prince, described "unrestrained resource consumption for energy production and other uses" as likely to lead to "catastrophic outcomes for the global environment".

That is what to expect with 5.4bn people trying for higher living standards. Double the number, and you double the threat. Nor is the global effect – *the one that hits us all* – on the environment alone. The social and economic consequences can already be seen in increased migration: there were 2.8m refugees in 1976, 17.3m in 1990. Over the next 35 years, western Europe's indigenous *labour force will fall by 14.5m;* North Africa's will rise by 56.6m. North America's workforce will not increase, other than by immigration; Central America's will shoot up, by 50.5m.

A hard-faced demand from rich countries to poor ones to restrain population growth would not work

That's enough demographic nightmares. The question is, will we see solutions in the morning? One's *first instinct is to get tough*. Tell recipient countries what's what. No family planning plan, no economic assistance. If aid can be tied – as it increasingly is – to the practice of democracy, why not tie it to the lessons of demography?

*The answer given by contempo*rary best practitioners is subtle. The strategy of Britain's Overseas Development Administration is "children by choice not chance"; its brochure of that title speaks of enabling women to take greater control over their lives. The ODA will contribute £9m to UNFPA pro*jects this year; the US Agency for* International Development shells out not a cent, owing to a tight reading of a 1985 Congressional amendment to an aid bill and a misplaced connection between UNFPA and enforced sterilisations and *abortions in China. That ancient* quarrel should be patched up. The AID administration can do it. Meanwhile, the US remains the world's largest donor of bilateral aid for *population programmes*, at $250m this year. It, too, focuses on the status of women.

This is understandable. Women who are educated choose to have fewer children. Better health and ante-natal services also reduce the voluntary *birth* rate. *A hard-faced* demand from rich countries to poor ones to restrain population growth would be counter-productive; a willingness to help release women from constant childbearing and hard labour is broadly acceptable.

Some, however, reject even that. Catholic countries, as in Latin America, are under the sway of Rome's doctrine on birth control. Can this be right? Only the Devil *could want to destroy the world* by overpopulating it. Others, like Malawi, will not see that there is a problem to be faced. The two giants have followed different paths. China, with its uniquely harsh measures, has cut its fertility rate to 2.3 *per woman; India, which is making* good progress for a democracy, has only managed to get it down to 4.1.

The focus on womens' rights works well, but a little nudge from big lenders might also help. In the World Bank's 1991 economic report *on India there is a table devoted* to family planning methods and estimates of "births averted". The cumulative total of the latter since 1966 is 136m. That is at least a start. The Bank could do more, if its members would let it.

The eruption of violence in one of America's biggest cities shows deep-rooted and long ignored racial tensions, writes **Jurek Martin**

LA law reignites a smouldering resentment

Nobody could have anticipated this verdict." Tom Bradley, *Mayor of Los* Angeles and a black man, was probably expressing the visceral reaction of the great *majority of Americans of all* races when four white Los Angeles police officers were acquitted on Wednesday of savagely *beating Rodney King*, also black, after a high-speed car chase. It was an horrific incident captured on amateur *video and replayed endlessly* on the nation's television screens over the 13 months since it took place.

*But a lot of people had antic*ipated or feared what followed in mostly black south central Los Angeles. Again live, and this time in full colour, the nation watched aghast as blocks erupted in flames and as innocent motorists were dragged from cars and trucks and beaten with a savagery equivalent to that visited on Rodney King. "I steal a Twinkie (a chocolate bar) and get six months, they nearly kill a black man and get off," said a young black. "What's going on here?"

What is going on is an issue that this country has been ducking for years. It embraces race, ethnicity, inner-city decay and the administration of justice. Some of the circumstances may be peculiar to Los Angeles – in particular the behaviour of its police department – but most are universal.

Another Bradley, Bill, the Democratic Senator from New Jersey, took to the Senate floor a month ago in a powerful speech. Having made his name *first as a professional* basketball player, a white man in a black sport who learned, as he put it, to see the city "through *the eyes of my black* teammates", his words carried some authority.

"In politics for the last 25 years, *silence or distortion* has shaped the issue of race and urban America. Both political parties have contributed to the *problem*. Republicans have played the race card in a divisive way to get votes – remember Willie Horton – and Democrats have suffocated discussion of self-destructive behaviour among the minority population in a cloak of silence and denial. The result is that yet another generation has been lost.

"The divide among races in our cities deepens, with white Americans more and more unwilling to spend the money necessary to ameliorate the physical conditions or to see why the absence of meaning in the lives of many urban children threatens the future of their own children."

Protesters' verdict: rocking a bus in the LA city centre

It is a precise and brave analysis. The general flight to the suburbs, including by middle-class blacks, has rendered the country politically more indifferent to the plight of inner cities. The relative economic success of the new wave of *immigrants from Asia and* Cuba has increased tensions between minorities, as seen in the disturbances in Miami two *years ago, Washington last* year and in Japan Town in Los Angeles on Wednesday night.

The Asian success, in particular, has certainly been taken by Republicans as a vindication of free market philosophy. The Reagan and Bush administrations, and the courts they have appointed, have sought to reverse the classic affirmative action approach of the 1960s, which was designed to practice, if necessary, reverse discrimination in order to increase the educational, social and job prospects of blacks.

The relative economic success of the new wave of immigrants has increased tensions

Thus President Bush nearly vetoed last year's civil rights legislation because he saw it as being "a quota bill". This year, Mr Bill Clinton, who has run well among those blacks who do vote, has a programme for inner-city regeneration, centering on public works, incentives to private sector investment and job training. But he, too, has sensed that it might not be politically advantageous to go beyond that. If black Americans did feel 25 years ago that past *injustices* were *being* redressed, they cannot today.

But Senator Bradley is also right to point to the "self-destructive" *behaviour of some* minorities, and there are plenty of statistics to back this up. Consider a recent study on *Washington, DC, which is* about three-quarters black. The non-profit National Center on Institutions and Alternatives found that, on any given day last year, no less than 42 per cent of all black males aged between 18 and 35 were somehow involved with the criminal justice system. As many as 70 per cent had been arrested by the time they reached 35.

There are other figures, too. Infant mortality among blacks is double the national average, more than 40 per cent of all black children live below the official poverty line, blacks account for nearly 30 per cent of all Aids cases, while nearly half all US murder victims are black. The depradations wrought by disease, drugs, other crime and the lack of economic opportunity are all reflected in these numbers.

If political indifference and manipulation among whites is an *exacerbating factor*, it also exists on the other side of the racial divide. For the national black political leadership is now a shadow of what it was before, and even for some time after, Martin Luther King was assassinated in 1968. Only the Rev Jesse Jackson stands as a man of substance, and his political power is in decline, though not irreversibly.

It was especially ironic that Los Angeles should erupt the *night before the final TV show*ing of the Bill Cosby programme. For the comedian's black middle-class situation comedy *family, literate,* prosperous and caring, represented in many respects an ideal of an integrated America. Black role *models now are very different*; Mike Tyson, the boxer seen by many blacks as a victim of injustice, Marion Barry, the *former mayor of Washington*, released last week after serving time for cocaine possession and also seen as a victim; Los Angeles gang leaders, fighting crime, according to popular culture, but not exactly playing by the rules of the book. Equally, Clarence Thomas, the new Supreme Court justice, is seen more as a white pawn, which would never have been said of his black predecessor on the court, Thurgood Marshall.

But the failings, and the alienation of blacks, are also institutional. The Los Angeles police department may be an extreme case. Last summer, after the Rodney King beating, a special commission, put together by Mayor Bradley and headed by Warren Christopher, the former undersecretary of state, reported, devastatingly, on the degree of racism and brutality in the department. It urged that Daryl F Gates, 13 years the LA police chief and a fierce defender of his troops, be replaced.

Last month this happened; his job was handed to Willie Williams, a black with a progressive record running the police in Philadelphia. But Mr Williams has not moved west yet and it was Mr Gates who has been on the airwaves constantly in the past 24 hours, defending the acquittals and condemning the violence afflicting the city.

That the trial took place in neighbouring, affluent Ventura County, and in front of a jury of 10 whites, an Asian American and an Hispanic, may be explained by the difficulty of getting a fair hearing in front of an inner-city jury in Los Angeles itself. But to many blacks that is white legal sophistry and a further indication of double standards in the practice of justice.

No wonder the country is tense today; no wonder there are so many appeals for calm, from the president on down. For what is happening in Los Angeles could spread, and no one wants a re-run of 1968.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Lesson in innovation learned in Hong Kong

From Mr Gulu Lalvani.

Sir, At the Institute of directors' convention in London on Wednesday, Mr Peter Morgan, the director-general, exhorted Britain to become "the Hong Kong of Europe".

For my consumer electronics group, this is more than an enterprise wish; it is an economic reality.

Britain is, and will remain, the bedrock of Binatone's operation. Why, though, in a recession, have we forged ahead to become this country's number one in telephones, displacing BT as market leader?

The answer is that we took a leaf from Hong Kong's book. For 25 years we have been learning from the Far East. Before the recession got a grip, I moved my base to Hong Kong, to be sure the group would continue to benefit from the stream of innovations endemic in Hong Kong culture. These enlightened attitudes have been promulgated throughout Binatone.

It worked for us. I am convinced that anyone else – car manufacturers, service businesses – *could do the same*. With a new, strong governor for the colony, maybe more companies will reach out to it – and win.

Gulu Lalvani,
chairman,
Binatone International,
Binatone House,
Beresford Avenue,
Wembley,
Middlesex HA0 1YX

Writing on wall for 'extravagant' salaries

From Mr Neil Ostrom.

Sir, Some 20 years ago, when directors were less well remunerated, Lord Kearton, in support of more enlightened treatment, was reported to be advising British industry that "if we pay peanuts we shall breed monkeys". I wonder what suggestions Lord Kearton might offer today for dealing with a less acceptable species which has taken over.

Roger Young of the British Institute of Management ("Executive pay rises attacked", April 27), quite properly draws attention to the inequity of a consenting system which apparently allows certain individuals to vote themselves extravagant rewards on the basis that they could do better abroad and the country would be worse off if they defected.

At a recent annual general meeting it was noticeable that shareholders were already prepared to react strongly against this form of thinly veiled executive blackmail and I am delighted to see support for their views from Christopher Lorenz (Management: "Lies, damn lies and directors' salaries", April 29) in the FT. The writing is on the wall.

Neil Ostrom,
Priestfield,
Watts Lane,
Chislehurst, Kent

Already are that party

From Mr Paddy Ashdown MP.

Sir, In your editorial "The challenge for the Labour party" (April 30) you say that a party which could beat the Tories would have to be a "party that... espouses democratic reform, champions the consumer, outflanks the Tories in its zeal for competition, *thinks afresh* on the environment, and finds some room for targeted help for the poor".

You say that this is what Labour must be. *But what you* describe is what the Liberal Democrats already are.

Paddy Ashdown,
Leader of the Liberal Democrats,
House of Commons,
London SW1A 0AA

Quality not fare cuts

From Mr Angus Sibley.

Sir, Professor Rigas Doganis ("No freedom in the skies", April 30) states that, with fare deregulation pending, Europe has already lost most of its independent scheduled airlines; that the smaller national carriers will go the same way; and that, in practice, fare cuts will probably be small. Would it not be better if fares were to remain regulated, so that we could have competition not on *price but on quality of service?* Does not the same argument apply to banking?

Angus Sibley,
20a Marlborough Court,
Pembroke Court,
Kensington,
London W8 6DE

Subsidies contrary to free market

From Mr Roger Bull.

Sir, Whatever happened to Wandsworth Borough Council's espousal of free markets?

"In a Nutshell" (Management, April 28) described the locum personnel service, Q-Tab, funded jointly by the council and Aztec. I first heard of this venture in March and wrote to the then leader of the council, Sir Paul Beresford, asking him to explain the rationale behind the use of public money to subsidise a service already provided in the private sector.

I am an independent personnel consultant offering a broad range of services to small and medium-sized organisations not having their own personnel functions. Not only do I and other entrepreneurs like me have to face this grossly unfair, publicly-subsidised competition, but that competition receives free advertising in the Financial Times.

Your article makes it clear that Q-Tab is seen as a pilot which may be expanded and replicated by other Tecs and councils. I should like to think that these bodies will pause to think very carefully about the possible unintended consequences of their doubtless well intentioned actions. I do not relish the prospect of seeing the taxes I pay used to deprive *me of my livelihood.*

No, I did not receive an explanation, or an acknowledgement, from Sir Paul.

Roger Bull,
Personnel Solutions,
39 Woodbury Street,
London SW17 9RP

Defending Britain's vocational education and training

From Vivien Marshall.

Sir, Your otherwise excellent article, "Lessons to be learnt in vocational training" (April 27), perpetuates the fashionable myth that "Britain's training regime is poor, with nothing comparable to Germany's 'dual system' of work-plus-training". In fact, the quality of Britain's vocational education and training at the comparable craft/technician level is much better than that of Germany, or indeed France, despite the poorer foundation laid at school. Our problem is that not enough young Britons benefit from it.

A higher staying-on rate is the proffered solution. But we are in danger of losing our lead on quality if more do remain, in schools especially, on poorly resourced vocational programmes which are not complemented with industrial experience.

The funding regime is the key. The Germans and French do not expect employers to fund education and training which is not cost-effective. To the extent that the state does not pay, individuals do in the shape of income foregone, in return for national qualifications.

Competence-based national vocational qualifications and Training and Enterprise Councils should help us with quality and numbers, if only the government would let both operate more flexibly within a national framework.

Vivien Marshall,
head of education and training affairs,
EEF,
Tothill Street,
London SW1H 9NQ

OBSERVER

Scarecrow transformed

■ "It'll take some getting used to," said Jenny Colborne, goggling at her husband. Although just-pronounced Britain's scruffiest man, he had been transformed for the occasion by the British Clothing Industry Association's gift of a £1,200 wardrobe including Centaur double-breasted suit, Savile Row shirt and Frank Theak and Roskilly tie.

A management consultant and spare-time lute-maker from Worcester, John Colborne normally rigs out his 6ft 2in frame with short-sleeved shirts above cords in all weathers, even meeting clients while shod in trainers cast off by his 70-year-old father.

The scarecrow effect won him pride of place in a 300-strong entry for the association's Super Scruff title, its latest effort to promote British-made male attire. Previous stunts have included presenting former trade and industry secretary Peter Lilley with basketfuls of old socks.

But whereas most of the other contenders were nominated by despairing wives, some considering divorce, the winner was shopped by a next-door neighbour. "One of those *neat little people,*" Jenny Colborne said, doing another double-take at the sartorial elegance topped by newly-mown hair and beard. On reflection, she added, the worst shock after 20 years of marriage was the "lack of chin".

Palace coup

■ Ken Schofield's arrival in the chief executive's seat at MTM, the troubled chemicals company, has to be good news. He did an excellent job reviving Hickson International and stands as good a chance as anyone of salvaging MTM.

Even so, the manner of his arrival must raise eyebrows. When a company gets into the sort of trouble that MTM seems to be in, shareholders might expect the non-executive directors and the financial advisers to hang around and help sort out the mess.

Notwithstanding Schofield's excellent record, shareholders can be forgiven for wondering who is keeping an eye on their interests now the non-execs and their advisers have quit. Perhaps there was a danger that Postern, the recently-hired firm of company doctors, was becoming too powerful in the company's affairs. But it was up to the non-executive directors to keep them under control. Who is going to tell Ken Schofield what to do?

Remorse

■ Sir Jeremy Morse, chairman of Lloyds, is not wont to drop ill-considered remarks, but he must be regretting some he made at a British Chamber of Commerce lunch in Tokyo at the end of March.

He told assembled businessmen that Hongkong Bank's attempt to acquire Midland had some "hurdles" to overcome, that it would "take a bit of time", but that "because of the strategic basis to the argument the probability is that it will go ahead".

The remarks were of course *made before Lloyds joined the* battle for Midland.

Pilk's outsider

■ When a company has to look outside for a new chief executive, it is usually an admission of failure. When the company in question is a world leader like Pilkington, it is doubly so.

After more than 150 years *in business, there is only one* Pilkington left in the upper echelons of the famous firm of glass-makers. And although *Sir Antony Pilkington, the fifth* generation of the family, is still chairman, he will almost certainly be the last of the line. Like many dynasties Pilkington has had difficulty moving with the times and although it boasts one of the best-connected boards of non-executive directors, its management team has long looked too inbred.

Roger Leverton, the new chief executive, is an international manager rather than a glass man. Running RTZ's loss-making Indal business in North America, he knows all about cyclical industries. He seems to have *done a good job reshaping* Indal's 38 subsidiaries and 8,000 staff in the depths of a recession far worse than in the UK. He also has the benefit of a marketing rather than technical background.

That said, he still has to work under an executive chairman who has dominated the company for more than a decade. Leverton's title is group chief executive, but the City will need a lot of convincing that his arrival at Pilkington means that there has been a significant change in the power structure.

"We have more video evidence of you rioting"

Struck out

■ Holidays, like everything else, are a serious business in Germany. While the country's public service unions have been causing patchy mayhem with local transport, postal and refuse collection strikes this week, the transport workers, at least, have agreed to return to work today. A sudden show of solidarity for hard-pressed Chancellor Helmut Kohl? No, silly. Just a day's respite so as not to spoil the general public's *Labour Day holiday.*

Tied Out

■ Looks like Britain's new heritage ministry – dubbed the "ministry of fun" – under David Mellor has already begun work. The Victoria and Albert Museum in London has opened an exhibition of "wild ties", a "selection of Britain's most outrageous ties".

The V&A decide to stage a competition to find the most bizarrely ornamented male neckwear to publicise the opening of its new European Ornament gallery.

The two winners (from almost 300 worldwide entries) are a 1951 brown rayon tie with picture of a Hawaiian girl, and a silk multicoloured tie with marbled colour effects. Rather dull, really; on the other hand it *is* a museum.

Tailpiece

■ *Three dogs, officially* employed by Renfrew District Council for use in school lessons on responsible pet-ownership, are to be paid a bag of biscuits a week.

FINANCIAL TIMES
Friday May 1 1992

Daunting test for Shevardnadze

Judy Dempsey interviews the former Soviet foreign minister in Georgia

A MONTH after his return to his native Georgia, Mr *Eduard Shevardnadze is* daunted by the challenges he *faces. Speaking in his office in* Tbilisi, just a short walk from the *old KGB headquarters and prison* now in ruins, Mr Shevardnadze said the decision to come back to Georgia had been difficult.

His premonitions about a military coup in the former Soviet Union and disagreements with Mr Mikhail Gorbachev, then Soviet president, had forced him to resign as Soviet foreign minister.

"I was not sure – and I am still not sure – if it is possible for Georgia to come out of the crisis. I knew I had to participate in trying to get the country out of this mess. I knew I had no right just to watch from the sidelines."

His friends say that Mr Shev*ardnadze, the republic's commu*nist party leader from 1972 to 1985, returned to heal the wounds and unite Georgian society, *ripped apart last January.*

During three weeks of bloody *street fighting in Tbilisi, a cosmo*politan Caucasian city, opposi*tion parties fought to oust Mr* Zviad Gamsakhurdia, the republic's nationalist and hardline president elected a year ago.

More than 100 people were killed, and parts of the capital were destroyed. *The fighting pit*ted the urban population against the countryside, which supported Mr Gamsakhurdia.

Under Mr Gamsakhurdia's rule, Georgia virtually became a pariah state. All links were cut with the outside world, and with Russia, its neighbour on which it depends for most of its raw materials and energy.

This is one reason industrial production has plummeted 40 per cent compared with a year ago. Some 80 per cent of enterprises were at a standstill in the winter because of energy shortages.

On his return to Tbilisi, Mr Shevardnadze moved quickly to restore links with the international community. The republic *is now a member of the Inter*national Monetary Fund and World Bank and Georgia's independence has been recognised by *the US and the European Com*munity.

But Mr Shevardnadze said such recognition was not enough to *snuff out the opposition, restore* stability and revive the economy.

"The opposition is diminishing. But only last week, it tried to blow up a tunnel linking the western parts of the republic with the east," he said.

"The opposition will not continue to diminish if the economy does not improve. What good are *slogans of democracy for people* who are hungry? Other little Gamsakhurdias will emerge if we do not tackle the economy."

Relief supplies from the US have brought some respite, especially for the hospitals. But Mr Shevardnadze, who heads the State Council, an interim broad-based body which has replaced parliament and the presidency until elections next October, is working on an economic reform programme.

This entails plans for privatisation aimed at attracting foreign investment, and tapping the creative and *entrepreneurial skills of Geor*gians. Mr Shevardnadze and Georgian *economists believe the* economy of this republic of 5.5m, *rich in manganese deposits,* citrus fruits, spas, and tea, will then *prosper.*

Mr Valerian Advadze, chair*man of the council's economic* commission, said IMF and west*ern credits would help Georgia* negotiate its $1.3bn share of the former Soviet Union's external hard currency debt.

Mr Shevardnadze, meanwhile, is eager to consolidate relations with neighbouring *Ukraine,* Armenia, and Turkey, as well as *Russia. "We are drawing up a* detailed agreement with Russia *which will cover economic, trade,* military and political issues. We will retain the rouble as the unit of currency," he said.

On the question of Russian troops, Mr Shevardnadze is more cautious. "This is a difficult problem. Of course no country is happy to have the presence of a foreign army on its territory . . . but the Russian – and not the Soviet – army is defending our borders with Turkey," he said.

"If we withdraw them, our borders will be completely open. Georgia is not ready to defend its *own frontiers. We are forming* our own army, but it is very *expensive since our economy is* completely destroyed."

As for Mr Shevardnadze's own future, he remains reticent. "I *will stay here in Georgia, though* I have not yet decided to stand in *the elections. Maybe, if the demo*cratic parties form a block, I would be interested in standing, but only as an independent," he said, confirming that, as in the past, he will be nobody's man.

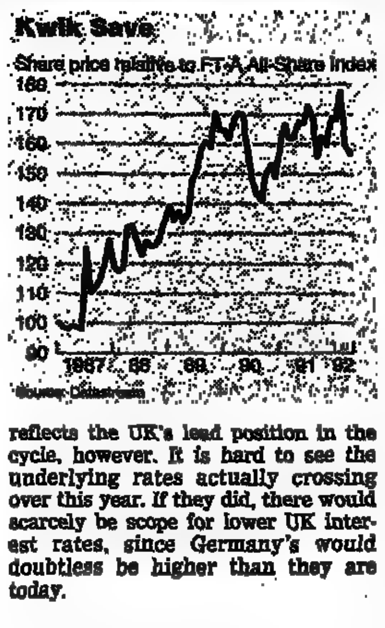
THE LEX COLUMN

Fisons' slimming pill

The decision by Fisons to sell some 10 per cent of its business is welcome evidence of the new management's ability to break with tradition. Its consumer medicines may find a ready sale among larger drug companies anxious *to spread the risk of ethical drug* research. Getting rid of the peat business will solve an irritating environmental problem, as well as disabusing those consumers who think Fisons is a gardening company. With luck, the proceeds could reach £300m, which would leave the group with over £100m of net cash.

The question is how Fisons will spend the money. The obvious answer is to buy in drugs and delivery systems too small to attract its larger rivals, or to engage in co-marketing of a kind unpopular with previous management. Fisons has yet to prove that there is room for a drug company of its size to flourish in a world of giants. But as the market has come to realise, *there is not much chance of it being* subject to a hostile bid either. Since the previous chairman left in mid-January, the shares have moved with the *market. On the basis of yesterday's* deal, they perhaps deserve to do better than that.

FT-SE Index: 2654.1 (-10.8)



German economy

Western Germany's inflation rate of 4.5 per cent in April may well prove *higher again than the UK's. But on an* underlying basis the picture looks *rather different. Exclude mortgage* payments, which distort the UK headline *figure, and the British rate for* March is 5.7 per cent. Exclude fuel, *which has distorted the German figure* since last July's temporary tax *increases, and the underlying rate for* that country becomes 3.6 per cent. That would seem a clear reason why the UK still needs an interest rate differential – unless, of course, the underlying rates were expected to converge in the foreseeable future.

Germany's headline rate will fall sharply in July when the oil taxes drop out of the equation, but the underlying rate looks sticky, not least because wage pressures have pushed service sector inflation up to 5.6 per cent. Not all the 9.7 per cent growth in German money supply reflects distortions arising from unification and D-Mark use by former east bloc countries. German unit labour costs rose at an annual rate of 7.7 per cent in the final quarter of last year: those in the UK were up 4.5 per cent in the three months to February. That largely reflects the UK's lead position in the cycle, however. It is hard to see the underlying rates actually crossing over this year. If they did, there would scarcely be scope for lower UK interest rates, since Germany's would doubtless be higher than they are today.

Unit trusts

Yesterday's news that unit trust sales in March reached a healthy £1bn might suggest that the individual punter is getting his timing right at *last. But while there was obviously a* rush to beat the Personal Equity Plan *deadline at the financial year end, the* word is that the bulk of money last *month came from institutions rightly* convinced that the pre-election panic had been *overdone. It looks as though* the poor old private investor has been trumped again.

All the same, unit trust salesmen may have something to look forward to after the relatively lean years of 1990 and 1991. PEPs are not only secured under a Conservative government; also, the doubling of the unit trust limit to £6,000 came into effect from April 6. The FT-A All Share hit a new peak yesterday, and the stock market looks reasonably underpinned provided the latest stirrings of recovery do not once again prove illusory.

That said, unit trust management groups are still deservedly paying the price for greedily pulling in business ahead of the October 1987 crash on the strength of absurdly short-term performance statistics. Building societies, National Savings Certificates and inflation, for example, have comfortably beaten the median UK equity fund over the *last five years. Do not* therefore expect a surge of unit trust *sales till the late autumn, when the* crash finally drops out of the comparisons.

ICI

The 7 per cent rise in ICI's first quarter profits looks in healthy contrast to most of its Continental rivals. March and early April have seen the beginnings of a consumer-led recovery in the US, the UK and parts of Continental Europe, in paints, textiles and the housing market. The caveat is that a similar improvement was seen a year ago, only to die away a couple of months later.

The other proviso is that the 39 per cent rise in profits from pharmaceuticals was mostly due to a slump in last year's first quarter. Pharmaceutical *profits still make up nearly half of* the total. Industrial chemicals contribute a quarter as much on *double the turn*over. On this basis, it is slightly early *for investors to plunge into ICI as a* cyclical recovery stock. The same message could apply *to the UK equity* market as a whole.

Kwik Save

The striking aspect of Kwik Save's *interim results was the reminder that* while it is opening a store a week, it *has almost no debt.* It uses internal cash flow to finance expansion and *does not* capitalise interest. Granted, Kwik Save's branded discount formula is a much cheaper proposition than Tesco's or Sainsbury's. Its avoidance *of rights issues, sale and leaseback* deals and borrowings is thought-provoking just the same.

It is perhaps equally significant that Kwik Save had a tough *first half.* Despite a 44 per cent increase in sales, its pre-tax profits rose a mere 6 per cent, mainly because it defended its market share against rivals moving into discounting. That meant attacking Gateway and Asda as well as Aldi and Netto, whatever the consequences for margins. The strategy worked in that Kwik Save actually strengthened its position, and should make enough in the second half for its shares to be on a current year multiple of around 12. As it happens, during the same period Sainsbury and Tesco also increased market share. But they may have Kwik Save to thank for denying the likes of Gateway and Asda the chance to move down market out of their way.

Kohl makes appeal for wage restraint

By Quentin Peel in Bonn

GERMAN chancellor Helmut Kohl, facing the twin threats of nationwide strikes and a fractious coalition government, yesterday issued an urgent May Day appeal for west German workers to restrain their wage demands in the interests of German unity.

He also read the riot act to his coalition partners, demanding that they stop their public squabbling and get on with the task of government.

His intervention comes after days of apparent political drift in Bonn, allowing the chancellor's opponents to accuse him of inaction and weak leadership.

It coincided with a slight easing of the strike action by public sector workers in a tactical move to prevent excessive disruption of the May Day national holiday today. However, engineering workers stepped up their campaign of warning strikes, calling out more than 220,000 workers in support of a separate pay claim.

Mr Kohl's message amounted to a direct plea to workers in the public services, the railways and the engineering industry to abandon their demands for big pay rises in the interests of the unemployed in eastern Germany.

"Solidarity is not only demanded when it is a question of making demands and fighting for them, as in wage negotiations and job conflicts," he said. "There is also a solidarity of workers with the jobless . . . In the present situation in Germany, solidarity of workers in the west with the workers in the east is also required."

Meanwhile, there was some good news *for the government.*

Piled-up refuse in Frankfurt causes offence to a passer-by

On the economic front, there was confirmation that west German inflation was easing. The provisional rate in April was around 4.5 per cent, down from the 4.8 per cent recorded in March, the Federal Statistics Office said.

On the *political* front, there was also a slight lifting of the storm clouds over the coalition, although the fundamental differences within the government have not been resolved. Mr Otto *Lambsdorff, leader of the Free* Democrats (FDP), the junior partner in the coalition, warned that he detected a temptation in the government to seek a new "grand coalition" with the opposition Social Democrats. But he agreed that the parties must now concentrate on resolving their policy differences.

A *full-scale parliamentary* debate on the question of controlling the flood of asylum-seekers into the country suggested that the government and the opposition Social Democrats may yet be able to agree on a common solution to the problem, which has caused a defection of voters to extreme rightwing parties.

*Mr Kohl's appeal to the work*ers came after almost a week of escalating strike action by the public service workers, which *has caused widespread havoc in* public transport, left a huge *backlog of letters and parcels and* has left mounds of uncollected *rubbish in shopping centres and* private homes.

The public sector unions are demanding a pay increase of 9.5 per cent, but *Mr Kohl and the* government are adamant that *anything more than 5 per cent is* out of the question, given the *current budget deficit to finance* unification and above all to sub*sidise jobs in the east German* economy.

The one issue on which the Kohl coalition appears united is in *resisting the pay claim,* and the stage now seems set for prolonged strike action. *Mr Heinz*-Werner Meyer, the leader of the German *trade union federation,* warned last night that, unless negotiations were reopened, Germany faced a "long, hot May".

The leaders of the three parties in the coalition, Mr Kohl's Chris*tian Democrats, the Christian* Social Union (CSU) from Bavaria, *and the FDP, met on Wednesday* night, in an attempt to resolve *their differences. The CSU is bit*ter that the FDP has been allowed to keep the job of deputy chancellor – for Mr Jürgen Möl*lemann, the economics minister* – in spite of the resignation of Mr Hans-Dietrich Genscher, the foreign minister, for whom the *job was designed.*

UK accepts 48-hour week but subject to conditions

By David Gardner in Luxembourg

THE UK yesterday accepted in principle European Community plans for a 48-hour limit on the *working week, but hedged its* concession with conditions that its partners seem unwilling to grant.

The main safeguard the UK is seeking is the right of people to work overtime above the limit and to ensure that the 48 hours a week would be averaged over 12 months, against the three months proposed by the European Commission.

The UK also insists that the working week should be decided at plant rather than industry or *national level.*

Mrs Gillian Shephard, the new UK *employment secretary,* denied that she had conceded the principle of a *48-hour* working week. But she seemed to be the only participant at the *ministe*rial meeting who interpreted her stance in that way.

"I said I could accept that 48 hours would appear in the direc*tive subject only to a resolution* of the major problems the UK has," Mrs Shephard said.

She added that the other mem*ber states – which with the* exception of Ireland back the *working-time directive* – had made concessions to Britain.

Ms Vasso Papandreou, EC social affairs commissioner, said: "I think [Britain] accepted the principle [of the 48-hour week], but of course with conditions which now need to be decided."

One of her staff added that "we have not seen this nuance before". Diplomats from several member states praised what one called the "constructive attitude" of the new British minister.

Officials from the current Por*tuguese presidency expect to be* able to put the directive, blocked by UK *opposition for nearly two* years, to a vote in June. The UK cannot veto the measure because it was introduced under health and safety provisions which require only a qualified majority.

It will not, however, be easy for the UK to win concessions which would in practice allow it to cir*cumvent the intention of the EC* law. *Ms Papandreou said volun*tary overtime "cannot be accepted . . . what is voluntary? In practice this places the employee in a very weak position". Mrs Shephard, for her part, would not confirm that Britain also wished to ensure that those workers who did not want to work over the prescribed limit would have the protection of the EC measure.

Commission and national officials made clear that concessions would depend on UK willingness to observe the spirit of the measure.

*If, as seems likely after yester*day, the UK is voted down in *June, Mrs Shephard carefully* reserved the option of a legal *challenge,* which would argue that the directive was not concerned with health and safety and should have required unanimity.

Los Angeles race riots

Continued from Page 1

that the system is unresponsive, broken or simply doesn't care."

Federal prosecutors started to use charges of civil rights violations in the 1960s, because of the *difficulty of persuading many all*-white state juries in the segregated Deep South to convict whites of crimes whose victims *were black.*

In spite of improvements since then, many blacks still feel that the legal system is heavily biased against them, a feeling reinforced by Wednesday's verdict.

"It may be that 12 white jurors aren't going to convict four white cops for beating a black man, and maybe that's as basic as it is," said Mr Steve Lerman, Mr King's lawyer.

Judges have been criticised by some black leaders for transferring the trial to a courtroom in predominantly white Ventura County, next to Los Angeles.

The widely shown videotape of the beating, however, was *thought to have prejudiced the* chances of a fair trial in the city itself.

World Weather

		°C	°F
Ajaccio	F	15	59
Algiers	F	[illegible]	64
Amsterdam	F	13	55
Athens	S	23	73
Bahrain	S	28	82
Bangkok	F	37	99
Barcelona	S	17	63
Beijing	S	[illegible]	73
Beirut		–	–
Belfast	R	11	52
Belgrade	S	21	70
Berlin	F	14	57
Biarritz	C	12	54
Bombay	F	31	88
Bordeaux	F	13	55

		°C	°F
Boulogne	F	11	52
Brussels	F	12	54
Budapest	F	19	66
Buenos Aires	R	20	68
Cairo	S	26	79
Cape Town	S	21	70
Caracas	C	28	82
Casablanca †	S	19	66
Chicago †	Fg	8	[illegible]
Cologne	F	15	59
Copenhagen	C	12	54
Corfu	S	24	75
Dallas †	C	15	59
Dublin	R	14	57
Dubrovnik		–	–
Edinburgh	R	12	54
Faro	S	23	73
Florence	R	11	52

		°C	°F
Frankfurt	F	15	59
Geneva	S	12	54
Gibraltar	S	[illegible]	68
Glasgow	C	[illegible]	54
Helsinki	F	11	52
Hong Kong	F	29	84
Innsbruck	R	8	46
Inverness	R	10	50
Islamabad	C	26	79
Istanbul	S	16	61
Jakarta	R	32	90
Johannesburg	S	18	64
Lisbon	S	24	75
London	C	10	50
Los Angeles †	S	15	59
Luxembourg	C	10	50
Madeira	S	20	68
Madrid	S	20	68

		°C	°F
Majorca	S	18	64
Malaga	S	21	70
Malta	R	15	59
Manila	F	37	99
Melbourne	C	15	59
Mexico City	F	24	75
Miami †	S	18	64
Milan	S	15	59
Montreal †	F	10	50
Moscow	S	16	61
Munich	F	11	52
Nairobi	F	24	75
Naples	R	12	54
Nassau	F	26	79
New Delhi		–	–
New York †	S	[illegible]	50
Nice	S	17	63
Nicosia	S	21	70

		°C	°F
Oporto	S	20	68
Oslo	F	12	54
Paris	C	12	54
Prague	F	[illegible]	55
Reykjavik	S	5	41
Rhodes	S	22	72
Rio de Janeiro	C	31	88
Rome	R	12	54
Salzburg	R	8	46
S'Francisco †	F	14	57
Seoul	R	13	55
Singapore	F	31	88
Stockholm	R	7	45
Strasbourg	F	15	59
Sydney	S	20	68
Taipei	C	29	84
Tangier	S	23	73
Tel Aviv	S	22	72

		°C	°F
Tenerife	S	25	77
Tokyo	R	13	55
Toronto †	Dr	8	46
Tunis	C	19	66
Valencia	S	19	66
Venice	R	12	54
Vienna	R	10	50
Warsaw	C	11	52
Washington †	C	11	52
Zurich	F	11	52

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Friday May 1 1992

INSIDE

M and S tries to sell Canadian operation

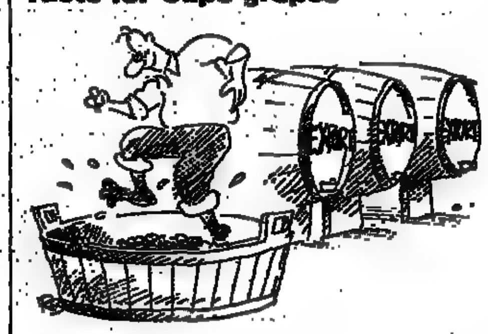
Marks and Spencer, the international clothing and food retailer, is in talks with Wise Stores, a Quebec-based department store group, to sell part of its Canadian operations. M and S wants *to sell its Peoples division, which generated* profits of about £500,000 ($880,000) on sales of £81.5m in 1991. Page 23

Kwik Save interim up 6%

KWIK SAVE

Kwik Save, the discount retailer, managed to *produce a 6 per cent* increase in interim pre-tax profits in spite of price competition, high advertising costs and increased theft. For the *28 weeks to March 14, pre-tax profits rose to* £51.2m ($90m) on sales up 41 per cent at £1.22bn. Page 23

Taste for Cape grapes



With South Africa's political isolation now over, local winemakers are anxious to reclaim the Cape's status as one of the world's pre-eminent wine-growing regions. But the industry is facing a number of challenges: the years of isolation left producers behind, particularly in terms of production techniques; and there is recognition that the novelty factor will soon wear off if quality is not delivered at affordable prices. Page 28

Partial success for Rule 144a

Now two years old, Rule 144a — which Wall Street hoped would revolutionise the US private placement market — is only a qualified success. Aimed at enticing foreign issuers to tap a pool of investors which had been dramatically widened by the exemption from registration requirements, the stampede never materialised. Patrick Harverson reports from New York. Page 21

Tehran revives its stocks

After a moribund decade on the post-revolutionary shelf, Tehran's stock exchange is enjoying a new lease of life as the government proceeds with its privatisation programme. Last week the government announced that it would sell off hundreds of state-owned companies during the next two years. At present, 129 companies are listed on the exchange. A further 200 companies have applied for a listing, and officials say 50 of those will be accepted. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Deutsche Bbck	174.8	+	4.8
Goldschmidt	840	+	12
Heidelb Zem	942	+	37
Lahmeyer	798	+	35
Varta	341.5	+	5
Falls			
DLW	568	−	12

NEW YORK ($)

Rises			
Apple Computer	59½	+	2½
Duracell	28⅞	+	2
[illegible]	112½	+	1⅛
UAL	125	+	1
Falls			
Chrysler	19⅛	−	¼
General Re	79⅞	−	8½

New York prices at 12:30.

PARIS (FFr)

Rises			
Chargeurs	1214	+	41
Elf-Aqtn Certs	285	+	19
Eurocom	659	+	18
Immobanque	684	+	22
Falls			
BIC	751	−	14
Cetelem	759	−	38

TOKYO (Yen)

Rises			
Nihon Unisys	1320	+	120
Shizuoka Bank	986	+	75
Tokyo Denki Km	1540	+	180
Falls			
Hamai	301	−	29
Koyo Seiko	551	−	59
Toshiba Chics	425	−	38

LONDON (Pence)

Rises			
Avesta Petroln.	98	+	4
Blick	379	+	14
Brit Airways	288½	+	9
CI	28	+	5
Cupid	94	+	5
Filofax	32	+	3
Forth Ports	160	+	13
Harris (Ph)	200	+	17
Lambert Howth.	375	+	20
Logica	229	+	10
MTM	84	+	7
Menzies (J)	393	+	21
Ratners	20½	+	4¾
Saatchi	19¾	+	1¾
Falls			
Argos	283	−	8
McCarthy Stone	63	−	10
Midland Bank	380	−	6½
Redland	539	−	18
Resort Hotels	75	−	7
Rugby	210	−	8
Shiloh	125	−	13
Travis Perkins	214	−	10

Chrysler losses reflect new launches

By Martin Dickson in New York

CHRYSLER, the financially stretched US carmaker, yesterday reported lower first quarter losses, but its results were held back by the cost of this year's crucial new product launches.

Chrysler, the smallest of the "big three" US motor manufacturers, reported losses before accounting changes of $231m, down from $341m in the same period of last year, on sales which rose from $5.85bn to $8.19bn.

Earlier this week its Detroit rivals, General Motors and Ford, both reported modest returns to profit. However, both lost money in their North American car operations and Chrysler lacks the extensive, profitable international operations of the others. Mr Lee Iacocca, Chrysler chairman, said: "The industry is starting to show some signs of recovery but it's not coming back as fast as we'd like. We couldn't overcome the cost of several new product launches and other unusual events during the quarter."

He cited the cost of launching the new Jeep Grand Cherokee sports utility vehicle and the Dodge Viper sports car during the quarter, as well as preparations for the launch of the company's new LH series of mid-range saloon cars.

The LH vehicles, which have won enthusiastic reviews, are the group's first new car model range in many years and are seen as crucial to the fate of the business.

Mr Iacocca also said results had been held back by the increasing of production at Eurostar, the company's new plant at Graz, in Austria, which is making mini-vans for the European market. The figures had also been affected by the start of a third shift at its St Louis, Missouri, mini-van plant.

Mr Iacocca said that, on the credit side, the company's cash position had been helped by an infusion from an $836m private equity offering and the sale of part of its stake in Japan's Mitsubishi Motors, which produced a net after-tax gain of $88m.

It also sold a more profitable mix of vehicles in the quarter, reduced its heavily discounted sales to the bulk fleet market, held its US market share and increased overseas retail sales by 17 per cent.

After a change in tax accounting rules, and a $63m loss on Canadian property investments, the net loss worked through at $13m, or 7 cents a share, compared with a loss of $598m, or $2.66 a share, after additional accounting changes a year ago. Chrysler Financial, its financing arm, contributed $60m of profit, or $111m after the tax accounting change, compared with $77m a year ago.

New chief executive acts to focus group on core businesses, writes **Paul Abrahams**

Fisons restructuring sell-off may raise £300m

FISONS yesterday announced it was offering its horticultural and consumer health businesses for sale as part of a fundamental restructuring of the group.

The move follows a four-month review of the company's operations and represents a strategic decision by Mr Cedric Scroggs, the new chief executive, to concentrate on the group's core pharmaceuticals and scientific instruments businesses. The sale of the horticultural business will be a final break from Fisons' roots.

Analysts believe the disposals could raise between £250m and £300m. The consumer health operations, which made profits of £10m last year on turnover of £84m, are likely to be easiest to sell. The horticultural division, with units in the UK, North America and on the Continent, made profits last year of £11.5m on turnover of £96.7m.

Mr Scroggs said the decision to sell was not because the operations were poorly managed or unprofitable. "We want to have global businesses, and that goal was not achievable either in horticulture or consumer health without significant investments."

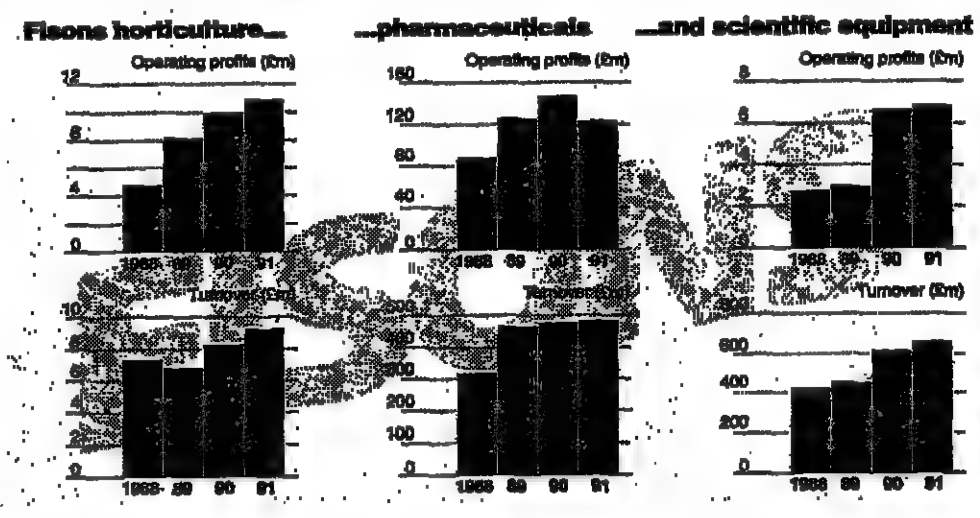
Both businesses needed important expenditure on advertising, he said, and Fisons had no proprietary technology to give it a competitive edge in either field.

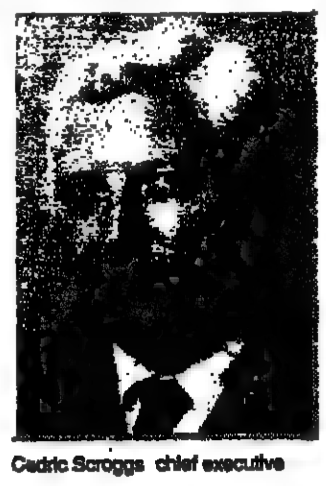
Mr Scroggs expected more than one buyer for the operations and declined to say when he hoped to conclude the disposals.

Within the pharmaceuticals division, Fisons would concentrate on anti-inflammatory products and drugs for the central nervous system. The company had some potential cardio-vascular medicines, but wanted to package them and sell them to *other companies for development* and marketing, said Mr Scroggs.

N M Rothschild, the merchant bank, will handle the horticultural disposal, and S G Warburg and J P Morgan, the consumer health disposal.

Lex, Page 16





Cedric Scroggs chief executive

Scroggs moves quickly to centre stage

MR CEDRIC SCROGGS was an unknown bit-player at Fisons before he moved to centre stage last month as chief executive of the UK pharmaceuticals, horticultural and scientific instruments group.

Since then, the former chairman of the scientific instruments division has demonstrated considerable energy. Now he must convince doubters he can help the company recover.

Fisons' troubles date from 1990 when US Food and Drug Administration officials became concerned about manufacturing *procedures for two products.* The next year they asked Fisons to withdraw both drugs. Neither are back on the market. *Fisons admits the affair has already* cost the group £65m, equivalent to a quarter of last year's profits.

Over the past 28 days Mr Scroggs has arranged meetings with FDA officials and adopted and implemented a strategic review to deal with earlier criticisms. "We've been dogged by these compliance issues. But they are the entry fee required to remain in the business," he said. "We've taken steps to get back into the market fast."

Mr Scroggs hopes the FDA will quickly allow one of the withdrawn drugs, the hay-fever treatment Opticrom, back into the US where it had sales of about $40m. Fisons' management has yet to decide whether the investment *required to resubmit Imferon, a* blood product, is worthwhile.

Meanwhile, Mr Scroggs believes the key to success is concentration. *He has already* said he wants to sell the generic, non-patented products operations. Yesterday he announced plans to concentrate further on core operations by divesting the horticultural and consumer health businesses. "We were simply too diversified for a group of our size," he said.

Fisons' consumer health business was a minnow, Mr Scroggs said. Although it had good brands, turnover last year was only £83m ($147m). Acquisitions costing hundreds of millions of pounds would be needed for the *operations to gain critical mass.*

Similarly, the horticultural division had good businesses that were well managed. But it *did not have the scale required* to survive even within the context of the EC, he said.

Mr Scroggs defended the decision to make the announcement without having buyers lined up. He said: "With multiple negotiations going on it would have been impossible to keep them under wraps. That would have damaged morale inside the organisation and led to rumours in the City."

Meanwhile, the policy of concentration will also be implemented within the pharmaceuticals division. Mr Scroggs said Fisons' expertise would be centred on anti-inflammatory medicines and drugs for the central nervous system.

Fisons' rigorously independent line to develop and market drugs created by its research department has also been abandoned. "We mustn't splinter our resources," he said.

Fisons would enter more co-marketing agreements to make up for its lack of marketing muscle outside the UK, he said. Last month it announced that Temmler, a subsidiary of Asta Medica, would market its Tilade asthma drug in Germany.

Mr Scroggs' strategy looks sound. He must now implement it. But some analysts doubt Mr Scroggs, with no background in pharmaceuticals, is the right man to spend the money. The pace of change at Fisons has been impressive. The question is whether the company will accelerate in the right direction.

ENI net profits halved to L1,081bn for year

By Robert Graham in Rome

ENI, the Italian state energy and chemicals group, saw consolidated net profits halved in 1991, falling to L1,081bn ($869m) from L2,072bn the previous year.

Mr Gabriele Cagliari, ENI chairman, blamed the lower profits on a sharp rise in depreciation and amortisation costs resulting from increased investment, plus extra expenses incurred in minerals exploration.

The group was also affected by slack demand in the main industrialised countries, a 2.3 per cent drop in Italian industrial production and the problems of the *chemicals business, especially in* fertilisers.

ENI is still digesting its 1990 purchase of Montedison's stake in Enimont, *the chemicals group* renamed Enichem. Political difficulties in agreeing a restructuring of the chemicals industry have delayed the introduction of rationalisation plans for Enichem. Last year Enichem's losses were L700bn, but this excluded a further L300bn attributable to fertilisers hived off to the subsidiary, Enichem Agricultura.

Total ENI sales rose only marginally from L50,033bn to L50,883bn, of which L18,600bn was overseas. Cash flow was L9,513bn against L9,607bn the previous year; net operating profits fell from L4,711bn to L3,765bn.

Mr Cagliari predicted another difficult year in 1992 given continued uncertainties in both the domestic and main international economies.

He said ENI was concentrating on preparing for its transformation into a joint stock company as part of government plans to privatise state holdings.

He expected Agip, the group's oil exploration and distribution subsidiary, and Snam Progetti, its civil engineering subsidiary, would be ready to float up to 20 per cent of their stock in the autumn.

ENI's 1991 results showed it had been lessening its dependence on state funding, with only 17 per cent of working capital coming from the Treasury.

In spite of a 36 per cent jump in investments to L9,327bn, net indebtedness increased less than 2 per cent to L23,298bn. This compared with a 20 per cent rise in borrowing the previous year, mainly from financing the purchase of control of Enimont.

O&Y banks split over rescue strategy for Canary Wharf

By Robert Peston in London, Bernard Simon in Toronto and Alan Friedman in New York

BANK lenders to Olympia and York's Canary Wharf office development in East London are evenly split on whether the UK subsidiary should be placed into administration under UK insolvency procedures, senior bankers *said yesterday.*

Sources close to O&Y's negotiations with the 11 lenders said around a third of the lenders, *including Barclays of the UK,* believed administration was preferable for Canary Wharf.

Three or four other banks, *including Lloyds of the UK,* were arguing it would be better to keep Canary Wharf as a going concern under O&Y's ownership. The remaining banks are undecided. "The banks' positions can change," said a senior banker. However, he pointed out that banks would probably have to decide next week whether an administrator should be appointed or whether they would provide a £30m ($53m) facility to meet Canary Wharf's financial needs for the next month.

The 11 lenders have so far provided around £1bn for the project. The banks involved include Citicorp of the US, Credit Suisse of Switzerland, Canadian Imperial Bank of Commerce, Royal *Bank of Canada, Bank of Nova* Scotia, also from Canada, Crédit Lyonnais of France, and Barclays and Lloyds of the UK.

On Wednesday, they provided an emergency loan of £5m to Canary Wharf, but these funds will be used up in the next few days.

O&Y had difficulty securing even this small sum, bankers disclosed. Crédit Lyonnais originally refused to provide its share of the money, because it felt O&Y was not providing enough financial information nor making strenuous-enough efforts to raise the money by selling assets in Canada.

In a separate development relating to O&Y's US operations, Standard & Poor's, the rating agency, said yesterday negotiations with potential tenants in a 53-storey building at 55 Water Street in Lower Manhattan had apparently collapsed.

In downgrading the rating of the single-purpose company *which owns the property,* S&P raised doubts whether funds were available to finance improvements necessary to *induce lease renewals or attract* new tenants.

Hachette shares suspended

By Alice Rawsthorn in Paris

THE shares of Hachette, the French publishing empire, and Matra, the electronics and defence group, were yesterday suspended on the French stock market pending the announcement next Tuesday of their proposed merger.

Hachette also announced yesterday a *higher than expected* loss of FFr1.93bn ($345m) for 1991, compared with net profits of FFr492m in 1990. Hachette, which owns the worldwide rights to Elle magazine, is trying to recapitalise after making heavy losses on its ill-fated investment in La Cinq, the bankrupt French television station.

Mr Jean-Luc Lagardère, who *controls Hachette and Matra* through MMB, his family holding company, stunned the Paris stock market in *January* by *announcing* that he planned to merge the two groups. The news was received with scepticism by French analysts as Hachette and Matra are in very different areas of activity and both businesses are performing poorly.

The shares of Matra, Hachette and Publications Filipacchi, another company associated with MMB, *will remain suspended* until the merger terms are disclosed on Tuesday morning.

Mr Jean-Jacques Limage, an analyst at James Capel in Paris, said it was "crazy to talk about the merger until Hachette's refinancing is over".

The merger would probably require the consent of Matra's shareholders, as MMB does not *have a majority* interest. There has been speculation that Mr Lagardère might agree to cede *some of Matra's peripheral* businesses to its industrial investors to finance the deal.

Matra announced on Wednesday that it was cutting its dividend after a sharp fall in profits from FFr606m to FFr252m last year.

Hachette's position is more precarious. It lost FFr1.79bn on La Cinq in 1991, bringing the total losses on its 18-month-long investment to FFr3.5bn. This brought Hachette into a net loss, after operating profits fell from *FFr779m to FFr636m in 1991 on* static sales of FFr30.41bn.

The company is still in talks with its banks over its financing which could involve a recapitalisation of FFr2.8bn. The refinancing may force MMB to reduce its 52 per cent holding, thus leading Mr Lagardère to lose control of Hachette.

Buxton seeks to reassure Barclays shareholders

By Norma Cohen, Investments Correspondent

MR Andrew Buxton, Barclays' new chief executive and chairman-designate, yesterday contacted institutional shareholders to reassure them about plans for him to hold both offices.

Following Barclays' annual meeting yesterday, Mr Buxton acknowledged that some shareholders were concerned about the concentration of authority in a single individual. He said he had contacted shareholders to allay their concerns.

"What they want is proper checks and balances," he said, adding that steps have been taken to insure that. Much operational authority will be devolved to four divisional chiefs within Barclays as well as to Mr Peter Wood, finance director.

Sir Peter Middleton, deputy chairman, will have input into corporate decision making. "He's no shrinking violet", Mr Buxton said.

The decision by Barclays' board to continue combining the roles of chairman and chief executive flies in the face of pressure from institutional shareholders for UK companies to improve corporate governance.

Since Mr Buxton's dual role was announced earlier this week, following the retirement of Sir John Quinton, institutional investors have expressed disquiet about the move.

"At the point where other companies are splitting the roles, I do not understand why Barclays is consolidating them," said the investment director at one UK life insurance company.

Barclays is the only UK bank to combine the roles of chairman and chief executive. "Even Hanson has appointed a chief executive," one shareholder said.

Separately, Mr Buxton said Barclays would face stiff competition from a merger of its two smaller competitors, Lloyds Bank and Midland Bank. "Eventually it will be a more formidable competitor but it will take their eye off the ball for a while," he said.

Full integration of the two could take three to four years, he added. In the meantime, Barclays will seek to cut costs, largely in its retail operations, and there will be further branch closures, he said.

At yesterday's meeting, Sir Nigel Mobbs, a non-executive director, said that that there had not been a boardroom coup to oust Sir John. However, it is understood that Sir John was encouraged by the non-executives to surrender his executive duties earlier than he had planned.

Sir John yesterday was the target of a bucket of white paint spilt on him by "an elderly gentleman" as he was preparing to address the AGM.

Defence arm helps Thomson cut losses

By Alice Rawsthorn in Paris

THOMSON, the French state-owned electronics group which is negotiating to merge some of its interests with CEA-Industrie, the nuclear energy group, managed to cut its net losses in 1991 to FFr702m ($125.8m) from FFr2.47bn in 1990.

The group, which is the linchpin of France's public sector with extensive interests across the electronics industry, produced a profit in its defence electronics subsidiary, but lost money in its consumer electronics interests, which were hit by a restructuring charge of FFr1.5bn.

It succeeded in turning its consolidated loss of FFr1.6bn in 1990 into profits (before payments to minorities) of FFr227m.

Thomson-CSF, the defence electronics division, saw its net profits rise from FFr2.17bn to FFr2.35bn on sales which slipped by 5 per cent to FFr35.18bn. The fall in sales was largely due to a reduced contribution from its Al Thakeb contract in the Middle East.

The consumer electronics division, Thomson-CE, remained in the red with a net loss of FFr2.48bn on sales which fell by 6 per cent to FFr31.16bn. Thomson Electroménager saw its sales rise by 2 per cent to FFr5.08bn, thereby contributing to group consolidated sales of FFr71.28bn, which fell by 5 per cent during the year.

The Thomson group is now awaiting the completion of the French government's plan – proposed under the former prime minister, Mrs Edith Cresson – to merge some of its activities with those of CEA-Industrie, another state-owned company specialising in nuclear energy and reactor building.

Originally the government had ambitious plans to combine the two companies into an electronics super-group through a complete merger between CEA-Industrie and Thomson's civil electronics interests. It is now thought to have scaled down its proposals.

ICI advances 7% with cost-cutting

By Paul Abrahams in London

IMPERIAL Chemical Industries of the UK yesterday bucked the falling results of the European chemical industry by reporting increased pre-tax profits for the first quarter, up 7 per cent to £212m ($375m) from £198m in the same period of 1991. Turnover was £3.055bn, against £3.052bn.

The results were in line with expectations in the City of London. However, some analysts were surprised by the poor performance of the life-science operations and the resilience of the specialty chemicals and materials divisions.

Sir Denys Henderson, chairman, warned: "It is still uncertain when the difficult trading conditions of the past 18 months will finally be behind us. There are, however, some signs of recovery in the US and the UK, particularly in the housing, consumer products, and textile markets. There are also indications of better growth in parts of continental Europe, but the Japanese economy is faltering."

The profits were helped by a cost-cutting programme which added about £55m to the bottom line. There was also a net gain of about £20m from the disposal of the salt business.

Profits at the pharmaceuticals division increased from £88m to £122m. Sales of new products such as Zestril, Zoladex and Diprivan rose sharply as the division's turnover increased to £386m from £324m a year earlier. However, sales of Tenormin were disappointing as generic competition in the US began to make made inroads.

The agrichemicals and seeds division reported trading profits of £48m, against £68m, on turnover of £356m, down from £375m. Mr Colin Short, finance director, said this was because of pre-season selling in France and the US during December and poor weather.

Profits at the industrial chemicals division fell from £35m last year to £31m on turnover of £829m (£966m).

Specialities reported profits at £15m (£7m) on turnover of £320m (£309m); the paints division's profits were £20m (£19m) on sales of £397 (£362m); the materials division's results were £5m, compared with a loss of £9m on a turnover of £495m (£507m); and explosives reported profits at £9m (£8m) on a turnover of £136m (£121m).

Regional businesses fell from a £12m trading profit in the first quarter last year to a £1m loss. Earnings per share rose 17 per cent from 17.3p to 20.3p.

Lex, Page 16
Knives are out, Page 10

Hungarian Credit Bank slides 50%

By Nicholas Denton in Budapest

HUNGARIAN Credit Bank, the country's largest commercial bank, announced that pre-tax profits had fallen 50 per cent last year as bankruptcy among its corporate borrowers spread.

Pre-tax profits slipped to Ft4.6bn ($58m) in 1991 as Hungarian Credit Bank set aside a record Ft4.7bn in provisions against bad debts.

The bank, together with the other three large state-owned commercial institutions, increased provisions in response to a new banking act allowing such charges to be written off against tax.

They are also trying to clear their balance sheets in advance of the privatisation of the sector, which was recently approved by the government.

However, bankers pointed out that Hungarian Credit Bank had not provisioned as aggressively as the rest of the banking sector had.

Renault chairman says Volvo merger possible

MR Raymond Levy, chairman of Renault, the French state-owned car maker, said yesterday he could not exclude the possibility of a merger with Volvo of Sweden, Reuter reports from Frankfurt.

Mr Levy told a financial analysts conference he has been continually discussing with Mr Pehr Gyllenhammar, Volvo chairman, ways of improving co-operation between the two carmakers.

Their far-reaching alliance includes significant minority cross-shareholdings. Renault holds an 8.2 per cent stake in the Volvo parent company. Volvo in turn had a 20 per cent holding in the Renault parent company which includes the Renault car operations. The two companies have 45 per cent cross-holdings in their respective commercial vehicle operations, while Renault has a 25 per cent stake in the Volvo car business.

There has been speculation the two groups might merge, and Mr Levy said that they were moving strongly in the direction of tightening their alliance.

"There may be a merger in future; I don't exclude that," Mr Levy said. However, "there may be some other ways to organise us," he added.

"Both companies are completely prepared for any move of that sort; both have understood their real life is at stake," he said.

Renault is 80 per cent owned by the French state, and Mr Levy repeated earlier comments that a privatisation was possible. "I'm not saying we're going to be privatised in the near future, but that may come," he said.

The two groups co-operate in purchasing and share some components. "Little by little that co-operation is being intensified. We are now building up common product planning," said Mr Levy.

He denied reports of differences between Renault and the French government over its links with Volvo.

Arnault lifted by Agache gain

By Alice Rawsthorn

ARNAULT & Associés, one of the quoted companies through which Mr Bernard Arnault, the chairman, controls the prestigious LVMH luxury goods group, saw its net profits in 1991 rise sharply to FFr582m ($104.3m) from FFr102m the previous year.

The company has property interests in Paris as well as its stake in LVMH,– which markets such luxury brands as Louis Vuitton luggage and Moët et Chandon champagne. Arnault also has a stake in Agache, which controls the Au Bon Marché department stores and the Christian Lacroix fashion house.

Earlier this week Agache announced an increase in net profits to FFr1.82bn from FFr230m the previous year. LVMH recently reported an 11 per cent rise in net income to FFr3.74bn from FFr3.37bn.

Bernard Arnault: luxury goods had a difficult year

The global luxury goods market had a difficult year in 1991 because of the instability caused by the Gulf war to the important duty-free sector in the first quarter and the deterioration in economic conditions during the rest of the year.

Arnault's overall turnover slipped from FFr30.39bn to FFr29.28bn last year partly because of the competitive trading climate and partly because Agache had ceded control of the Conforama chain of furniture stores to the Pinault industrial group half way through the year.

The Conforama deal contributed to an increase in exceptional profits to FFr1.55bn against FFr118m.

Arnault has decided to double its dividend from FFr1.75 in 1990 to FFr3.5 a share in 1991.

Snecma plans to expand US interests

By Alice Rawsthorn

SNECMA, the French state-owned aircraft engine company, is expanding its US interests by taking a majority stake in Speco, one of the world's oldest aircraft-parts makers.

The companies are still finalising the terms of the deal, under which Snecma, which already has extensive US interests, would emerge as the controlling shareholder in Speco. The French company is expected to bring in at least one other investor as a partner.

Speco, based in Springfield, Ohio, specialises in the production of helicopter power transmissions, flight control actuator systems and accessory drive systems. It made a substantial loss last year on sales of $36m. It has a workforce of about 300.

When the deal is completed Speco will become part of Vallaroche, a wholly-owned subsidiary of Snecma. It will liaise with Hispano-Suiza, another Snecma subsidiary, on technical and commercial issues.

Recently Snecma has suffered from the problems of the international aerospace sector. It recently reported a net loss of FFr68m ($12.1m) in 1991, against profits of FFr206m the previous year, on turnover of FFr23.9bn.

The group also warned that the level of new orders had fallen 30 per cent.

Alcatel in control systems deal

By Alice Rawsthorn

ALCATEL Alsthom, the French telecommunications and engineering group, is selling part of its control systems business to Yokogawa, the Japanese electrical concern. It has also entered into a co-operative agreement with Yokogawa for the rest of its control systems interests.

Yokogawa has taken control of Contrôle Bailey, a company within Alcatel Alsthom's Cegelec division, which specialises in batch control processes for the chemical and petrochemical sectors.

Contrôle Bailey, which employs 220 people at its Paris base, made a substantial loss last year on sales of around FFr200m ($35.8m). The company has been in decline for several years after a buoyant period in the mid-1980s when its sales reached FFr400m.

Cegelec, which had overall sales of around FFr17bn in 1991, said that Contrôle Bailey was too small to absorb. the very high research costs involved in developing new systems. As a result it has been considering its disposal for some time in order to focus on its three core areas of activity – energy controls, drive systems for processing industries such as steel and paper, and access control systems such as subway ticket machines and motorway tolls.

After the acquisition, Yokogawa, one of the leaders in batch control processes, will no longer have any competitive interests with Cegelec, allowing the two to form their co-operative agreement.

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INTERNATIONAL COMPANIES AND FINANCE

UAL blames $92.3m loss on weak domestic market

By Nikki Tait in New York

UAL, the parent company of United Airlines, yesterday revealed it lost $92.3m after tax in the first three months of 1992. Mr Stephen Wolf, chairman, described the result "woefully unsatisfactory".

The net loss compared with an after-tax deficit of $157m in the same period a year ago. However, this was when the Gulf war lead to a sharp decline in traffic levels.

United is one of three US "mega-carriers", and its first-quarter deficit follows a modest $20m profit from American Airlines and a $151.6m deficit at Delta Air Lines, its two big rivals.

At the operating level, UAL saw even larger losses, totalling $146.3m in the first three months of 1992, compared with a $268.1m deficit a year ago. Operating revenues were up from $2.56bn to $2.97bn, but costs rose from $2.83bn to $3.12bn, despite a reduction in fuel expenses to $363.4m from $448.1m.

Stephen Wolf: result 'woefully unsatisfactory'

United, which recently acquired the former Pan Am routes in Latin America, blamed the results on the domestic market.

"The anaemic economic recovery in the US, where United has about two-thirds of its capacity, coupled with the pricing actions of certain carriers, had a very significant impact on first-quarter revenue," said Mr Wolf.

Some analysts have been sceptical about the speed and ease with which the Pan Am business could be integrated.

However, Mr Wolf stressed the airline's primary focus was "on further development" of the international route system. Here, he said, first-quarter capacity was up by 39 per cent, and traffic by 55 per cent.

United's yield – passenger revenue per mile flown – rose by 2.8 per cent, to 13.60 cents, while its load factor was 61 per cent, up 2.1 percentage points from the 58.9 per cent seen a year ago. Its shares were up by $¾, at $124¾.

Calpers votes to replace Sears board

By Nikki Tait

THE California Public Employees' Retirement System (Calpers), the largest public pension fund investor in the US, said it had voted against all the directors standing for re-election at Sears, Roebuck, the retail and financial services group.

Sears, which has been the subject of shareholder agitation for several years, is holding its annual general meeting on May 14. Three directors on its reduced nine-man board are up for re-election.

Mr Dale Hanson, chief executive, said the fund's proxy guidelines normally required a supportive vote. "In this case, Sears' continual poor performance, and the board's obvious reluctance to insist that Mr Brennan [Sears chairman and chief executive] make the changes necessary to save this company, compelled us to express our displeasure in some tangible way."

Calpers threw its weight behind four motions put forward by dissident shareholders at Sears, including one which requires a study of the possibilities of splitting the group's different interests into separate companies.

Much of the dissatisfaction with Sears centres on its large retail operations. Some of its financial services interests, which include the Dean Witter brokerage and the Allstate insurance company, are seen as more attractive propositions.

The other three proposals backed by Calpers include a suggestion that the jobs of chairman and chief executive be split between different people; a strengthening of confidentiality of the proxy vote; and the elimination of the staggered terms for board directors.

Calpers owns 2m Sears shares. This represents about 0.6 per cent of its stock.

IBM seeks partners for US multi-media joint venture

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines says it is "pursuing and being pursued" by potential partners as it seeks to form an independent joint venture company to provide interactive multi-media services to businesses and consumers throughout the US.

Time Warner, the media and entertainment giant seeking to raise cash and reschedule $7.2bn of debt, is believed to be among the companies in talks with IBM about the venture.

IBM declined to identify its potential partners, but said it was in talks with several long distance and local telephone companies, television cable service operators, entertainment companies and others.

"We are forming business and technology relationships with companies that have the core skills that will be needed to implement an inter-active multi-media network, says Ms Lucie Fjeldstad, IBM vice-president and general manager of multi-media.

IBM had been exploring the business potential of multi-media – the confluence of computer, consumer electronics and telecommunications technologies – for the past two years, Ms Fjeldstad said.

"A new industry is being born and we intend to be in a major player," she said. IBM aimed to establish an interactive network for the distribution of entertainment and information services, she said.

"Movies on demand" will be one of the first applications of this network. Subscribers will be able to watch a film of their choice at any time. Time Warner's vast library of movies and television shows, as well as its cable television systems, could become a key element of the service.

Time Warner's aim is to attract cash from IBM in exchange for making entertainment "software" available to the project.

The amount of cash Time Warner might attract if the venture is finally agreed would be far less than the $1bn investment by two Japanese companies – Toshiba and C. Itoh – who recently bought 12.5 per cent of Time Warner Entertainment (TWE), a new subsidiary of Time Warner that contains the movie and cable assets of the group.

Clones catch up on Compaq

Louise Kehoe on how two industry legends are being put to rest

Compaq Computer buried two computer industry legends this week by announcing dismal first-quarter financial results and publicly withdrawing from membership of the much-vaunted Ace Initiative consortium.

A long-standing Wall Street favourite that beat American records for corporate growth in the 1980s, Compaq is struggling to come to terms with a cut-throat "commodity" market for personal computers in which its brand name and reputation no longer command premium prices.

Compaq's first-quarter earnings were down 60 per cent, at $45m, while sales revenues fell 19 per cent to $783m. Once seen as IBM's toughest rival in the personal computer market, Compaq is losing ground to a tribe of "clone" manufacturers. Compaq's shares were trading at $23¾ at midday in New York yesterday.

Similarly, Ace, an audacious plan to map the future of large segments of the computer industry by establishing a new hardware and software standard for the next generation of personal computers and workstations, is rapidly losing momentum.

A year ago, Compaq was riding high when it joined with Microsoft, Digital Equipment, Silicon Graphics, Mips Computer, Santa Cruz Operation and other computer and software companies to announce the Ace Initiative.

Having achieved remarkable success as a bold imitator of International Business Machines' personal computer standards, Compaq seemed ready to plot its own course.

The support of Microsoft, the leading personal computer software publisher, and Digital Equipment, the world's second largest computer manufacturer, bolstered Ace's credibility.

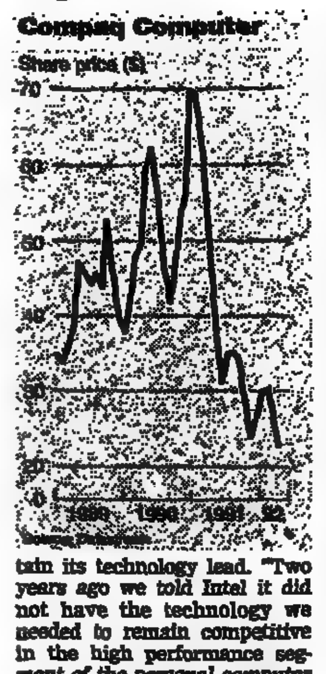
Mips Computer's powerful reduced instruction set computing (Risc) microprocessor, provided the group with a strong technology base. Compaq provided Ace with an essential ingredient of success – the prospect of high volume production of computers built to Ace specifications.

However, since the announcement of Ace, Compaq's fortunes have been reversed by mounting price competition. Last October, Compaq's board ousted Mr Rod Canion, president, chief executive and a co-founder of the company. Mr Eckhard Pfeiffer, who replaced Mr Canion as president and chief executive, is spearheading an urgent effort to transform Compaq into a more cost and price competitive company.

He has slashed the prices of most of Compaq's products and in June the company will launch a lower price range. Mr Pfeiffer acknowledges, however, it will be some time before these efforts show results and second and third quarter earnings are expected to continue on a downward slide.

Following its earnings decline, Compaq announced it was aborting plans to launch computers based upon Mips Computer Risc microprocessors and was pulling out of the Ace consortium.

For Compaq, the decision was strongly influenced by a reassessment of the ability of Intel, the leading supplier of microprocessor chips, to maintain its technology lead. "Two years ago we told Intel it did not have the technology we needed to remain competitive in the high performance segment of the personal computer market," says Mr Gary Stimac, Compaq senior vice-president.



Intel responded by stepping up its research and development efforts. Instead of designing new generations of microprocessors one at a time, the chip maker now has three generations of chips under development in parallel.

Compaq also found a "surprising lack of interest" among its customers when the company previewed its plans for a computer based upon Mips' Risc microprocessor.

"Customers told us the performance benefits of Risc did not outweigh the disadvantages of switching to a new architecture," said Mr Stimac.

Rather than spend the $100m it would cost Compaq to put its prototype Ace computer into production, the company decided to scrap the project.

Similarly, Santa Cruz Operation, a leader in the development of desktop versions of the Unix system, has lost faith in the future of the Mips Risc microprocessor and halted work on a version of its Open Desktop program for Mips.

Digital Equipment's commitment to Ace has been brought into question by its recent announcement of its own, higher performance Risc microprocessor called Alpha.

Mips itself remains committed to Ace and maintains that Compaq's withdrawal, though regrettable, will not seriously damage the consortium. Companies such as Olivetti, in Europe, and Acer in the Far East, will bring Ace compliant products to market later this year, Mips says.

Yet to most observers, Ace is a shadow of its former glory; an anachronism overtaken by technology and market trends.

For Compaq, Ace was a digression that may have cost the company more than it spent on the aborted development of a personal computer based upon Risc technology.

Engrossed by the prospect of establishing partnerships that would fend off potential competition from workstation manufacturers, such as Sun Microsystems, and always keen to leapfrog IBM, Compaq was blinded to the real challenge.

Today, Compaq is forced to compare the features and prices of its products with those of second and third-tier "clone" manufacturers that only a year ago it was too proud to call competitors.

New interest in Qantas sell-off

By Kevin Brown in Sydney

AUSTRALIAN Airlines, the government-owned domestic airline, said yesterday it might bid for a stake in Qantas Airways, the international carrier being partly privatised by the federal government.

Mr John Schaap, chief executive, told staff the board had registered an interest in Qantas, but would decide later whether to bid for all or part of the 49 per cent stake to be sold by the government.

Qantas said this week it was considering bidding for a stake in Australian, which will be 100 per cent privatised as part of the government's deregulation of the aviation industry.

Mr Schaap said Australian planned to build on its strong position in the domestic market, in which it competes with Ansett Australia, the privately-run airline owned by TNT and News Corporation.

He said the airline was looking at capitalising on the government's aviation policy and expanding into the international market. He indicated that Australian was keen to begin services to New Zealand.

Mr Schaap had warned that Australia's airlines may not be able to afford to expand quickly into the international sector. However, Qantas could provide an opportunity for Australian to enter the Pacific market.

British Airways and Air New Zealand are believed to be interested in acquiring stakes in Australian Airlines. Singapore Airlines is thought to be interested in taking a stake in Qantas.

● Northwest Airlines, the US international carrier, said it had formally advised the Australian government it would not submit bids for Qantas or Australian Airlines.

Northwest, taken private via a $3.65bn leveraged buy-out in 1989, claimed that neither carrier met its criteria as an investment opportunity.

It said recent changes in Australian government policies increased the uncertainty and risk associated with buying into Qantas. However, the US airline is struggling under a huge debt burden, and some industry observers had questioned whether it could even survive in its current form.

Wharf hotels offshoot in HK$593m rights issue

By Simon Davies in Hong Kong

HARBOUR Centre Development, the listed hotel subsidiary of Hong Kong's Wharf Group, announced a rights issue to raise HK$593m ($76m) before costs.

The proceeds will be used to finance the recent acquisition of two 5-star hotels in the US and to build up a war chest for further hotel purchases.

Harbour Centre, part of the empire of the late shipping tycoon Sir Yue-kong Pao, is to offer one new share for every two held, at HK$5.65. This represents a 36 per cent discount to last night's closing price of HK$8.80.

The company said it believed the hotel market in the US offered excellent value, with properties selling at discounts of up to 40 per cent to their pre-recession valuations.

Within the past five months, Harbour Centre has invested US$96m in the purchase of the Omni Houston Hotel and the Marriott Mandalay hotel in Dallas. The company is confident these offer significant capital appreciation potential.

Wharf (Holdings), which owns 57 per cent of Harbour Centre, has agreed to take-up its share of the rights issue. Wharf owns the Omni hotel management group, which will take over management of the newly-acquired hotel in Dallas.

Acil expects to repulse NZ bid

By Kevin Brown

AUSTRALIAN Consolidated Investments (Acil) yesterday said holders of 60 per cent of its shares would reject an A$127m ($96m) takeover offer from Rossington Holdings, a bid vehicle jointly owned by two companies associated with Sir Ron Brierley, the New Zealand entrepreneur.

The board did not identify the shareholders who have undertaken to reject the offer. However, about 60 per cent of the company is effectively controlled by Australian banks.

About 40 per cent of Acil is owned by companies formerly controlled by Mr Alan Bond, the bankrupt Australian entrepreneur. A further 19.9 per cent is owned by the Adelaide Steamship group, which is being restructured by its banks.

Acil said shareholders who accepted the offer would be giving a "substantial amount of money away to Rossington." Shareholders who accept the offer will also lose their rights to participate in the forthcoming float of Weeks Royalties.

Acil said the Rossington offer was highly conditional and could not succeed in its present form. The offer is conditional on AustCon not selling its 50 per cent of National Brewing Holdings, formerly Bond Brewing.

The board says Acil is contractually bound to complete the sale of the breweries to Lion Nathan, the New Zealand brewing group.

The directors say it has taken more than two years to achieve the "complex and difficult goal" of re-establishing the company after the collapse of the Bond group.

Rossington is jointly owned by Brierley Investments of New Zealand, of which Sir Ron is a director, and GPG, the UK company which he controls.

General Re shares tumble on weak results

By Nikki Tait

SHARES in General Reinsurance lost about 10 per cent of their value yesterday morning, falling $8½ to $79⅞, after the US insurer reported a sharp deterioration in first quarter underwriting results and warned that the rest of year would probably be "unsatisfactory".

The news came as American International Group, the large composite insurer, also said it saw no pricing improvement in the domestic property-casualty industry.

Its own shares slipped $⅞ to $88½, and the two announcements caused shares across the industry to weaken. Aetna lost $¾ to $42¾; Cigna fell by $⅞ to $51⅞; and Travelers lost $⅛ at $20⅞.

General Re, the largest reinsurance company in the US, reported a fall in operating profits, from $135.1m to $116.5m. The figure is struck before realised investment gains, which increased from $15.3m to $30.3m, and an accounting change item, which added $61m. After-tax profits, therefore, were $207.8m, against $150.4m.

The company said underwriting results had been "very disappointing" – the combined underwriting ratio for the property-casualty companies worsening from 99.7 per cent a year ago to 105.4 per cent – and warned more bad news was to come.

"Based on the first quarter results, the lead time required for our initiatives to take effect and several major insurance industry losses which have already occured in the second quarter, underwriting results are likely to be unsatisfactory for the balance of the year," said Mr Ronald Ferguson, chairman.

Meanwhile, AIG reported first-quarter profits of $413.9m after tax, up from $375.4m a year earlier. Pre-tax realised capital gains amounted to $28m compared with $23.6m.

On the general insurance side, there was a tiny underwriting loss, compared with a $24.8m profit a year earlier. But net investment income increased by 9.2 per cent to $308.8m, taking operating profits to $308.2m compared with $307.9m last time.

Operating profits from the life side increased by 16.1 per cent to $141.5m, while financial services contributed $62.4m ($47m).

The insurer said it had not seen "any material change in the pricing environment in the domestic property-casualty industry since the last quarter" but noted that several specialty classes of business continued to do well.

Sentrachem ahead despite fall in demand

By Philip Gawith in Johannesburg

SENTRACHEM, one of South Africa's largest chemical companies, overcame difficult trading conditions to record an increase in earnings for the six months to the end of February.

Operating income was up 14.1 per cent, at R116.8m ($40.7m), while turnover was 3 per cent higher at R1.17bn. Mr John Job, managing director, said the improved margins reflected effective fixed cost control and productivity improvements.

Pre-tax income improved by 38.9 per cent to R75.4m, but taxation was 53.1 per cent higher owing to the low base in 1991.

Income attributable to outside shareholders rose to R10.4m from R4.2m because of the improved performance of the Safripol and Senachem joint ventures.

Mr Job said demand from the automotive industry, an important market, continued to decline, as did demand for plasticisers, solvents and resins. The agricultural products division had, however, performed well, with higher exports off-setting the impact of the severe drought at home. Exports, which currently account for under 10 per cent of turnover, are expected to increase in future.

Mr Job said although the economic climate remained difficult, he expected earnings for the year to be higher than in 1991. The production base of the group was in good shape following a R830m capital expenditure programme over the past three years.

Earnings per share rose to 25.7 cents from 24.2 cents, and the dividend was maintained at 6 cents per share.

Wall Street's qualified revolution

Patrick Harverson reports on the impact of changes to the private placement market

Two years after its introduction, Rule 144a, which Wall Street hoped would revolutionise the US private placement market, is seen to be only a qualified success.

Rule 144a was a revision to US securities law that exempted big investment institutions trading privately-issued corporate securities in the secondary market from the onerous requirement of registering them with the Securities and Exchange Commission.

The SEC and the investment banking community hoped that by making it much easier for institutions to re-sell private issues, foreign companies would come to the US private placement market to tap a pool of investors that had been widened by the exemption from registration requirements.

In improving the liquidity of the secondary private markets, proponents of 144a hoped that the yield premium usually demanded by institutional buyers of "unregistered" private securities would fall. With more US institutions willing to buy the securities, and with investors likely to demand less exacting yields for securities that were widely tradeable, foreign companies would stampede towards the US private placement market. That was the theory.

The stampede never materialised, although foreign issuers have come to the US in reasonable numbers, lured by access to a fresh pool of capital.

According to IDD Information Services in New York, almost half of the 419 deals completed under 144a (or about $10.7bn of the $26.6bn raised) since its introduction in 1990 have been issued by foreign companies. The UK has been the main source of business, followed by continental Europe and Latin America, particularly Mexico.

Mr Vikram Pandit, head of equity syndicates at Morgan Stanley in New York, says: "Rule 144a has been a success because it has achieved what it set out to do – open up the ability for anyone to come to the US [private placement] market." Yet the liquidity shortage continues to dog the private markets, even with 144a. On the equity side, there are two reasons why.

First, the electronic trading systems that proponents of 144a hoped would provide the foundation for a liquid secondary market have been a failure.

Investors found that the first trading system, Portal, which was set up by the National Association of Securities Dealers (NASD), was user-unfriendly and cumbersome. People quickly stopped using it, and for the past year it has been undergoing an overhaul, and awaits relaunch.

The New York and American stock exchanges, which committed themselves to building a trading system for 144a deals, are both awaiting SEC approval for their systems.

Second, critics of 144a say the SEC was too restrictive in granting its registration exemptions only to qualified institutions, those with at least $100m invested in securities.

Mr Stephen Cooper, partner with New York law firm Weil, Gotshal & Manges, says the SEC limit "circumscribed a

'Rule 144a achieved what it set out to do — open up the ability for anyone to come to the US market'

universe of prospective buyers that was too small to achieve true market liquidity".

The drafters of 144a may have aimed the rule at the wrong target. A large segment of the private market is made up of US insurance companies. Insurers invest in private placement issues because, in exchange for illiquidity and complexity, they receive premium rates, which can be locked in for the long term.

Improving liquidity, simplifying the deals and lowering yields, therefore, has no appeal for insurers which run "buy and hold", not trading, accounts. They have not bought 144a securities because they do not fit their particular risk-reward profile.

As for the rest of the private market, it is made up primarily of mutual funds, and they remain reluctant to get involved in 144a deals, especially on the equity side, until secondary market liquidity has been firmly established.

So if liquidity has been a problem, how has nearly $27bn been raised under 144a since its introduction two years ago?

On the equity side, the bulk of the issues have originated abroad. Yet few foreign issuers have come to the US to raise private capital in a stand-alone issue. Those equity issues that have been completed by overseas companies under 144a have generally been arranged alongside offerings in the home market of the issuer. This is because US investors will only buy the securities if they know a secondary market for the stock exists in the home country of the issuer.

On the debt side, investment bankers have overcome the lack of liquidity with some clever financial engineering.

To make private issues more attractive to a wider group of investors, an increasing number of private deals have been designed so that they mimic the qualities of public deals – the idea being to appeal to investors who normally shun private issues because of the lack of a secondary market.

To overcome public investors' fear of illiquidity, deals have been put together that are, in effect, underwritten private issues.

This is not the contradiction it might seem. Broadly defined, an underwritten 144a deal is a private placement in which an investment bank takes on an entire issue of unregistered securities from an issuer on a firm commitment basis (such as in a public deal), and immediately resells the paper to qualified institutional buyers.

Issuers like underwritten private deals because they appeal to a much wider group of investors, the chances of an issue being sold at the right terms are higher, they get their money quicker because the deals can be completed rapidly, and the pricing is generally more favourable than on a traditional private placement.

For their part, public investors go for underwritten private 144a securities because the investment bank that "underwrites" the deal guarantees a liquid secondary market for the securities.

Ironically, these underwritten private deals end up virtually indistinguishable from public deals. Investment bankers even make the documentation in private issues, the "offering circulars", look just like the prospectuses used in public deals.

This may not be what the SEC had in mind when it drew up 144a, but considering that the aim of the rule was to bring the chief quality of the public market, liquidity, to the private market, who is complaining?

Moody's puts IBJ debt rating under review

By Steven Butler in Tokyo

THE debt rating of the Industrial Bank of Japan has been placed under review by Moody's Investors Service, which is concerned about IBJ's internal controls and its exposure to the property sector.

Moody's said that IBJ, once regarded as one of Japan's most prized financial institutions, would face increased competition in its traditional areas of business as financial reform proceeded, and that the erosion of its traditional businesses may not be offset by new business areas.

Moody's said that the IBJ had a high exposure of lending to non-bank financial institutions, many of which are in trouble because of heavy lending to the commercial property sector in the late 1980s.

Moody's said it was concerned "that weakness in IBJ's internal controls could have a further impact on the bank's credit quality".

The IBJ's difficulties were underscored earlier this week when it turned out to be one of the biggest losers stemming from a rescue of the Toyo Shinkin Bank, which is being split up among 22 local credit co-operatives and the Sanwa Bank. Toyo Shinkin had bad debts of Y252bn ($1.9bn) following the issue of fake deposit certificates which were allegedly used as loan collateral by Mr Nui Onoue, an Osaka restaurant owner.

Some Y122bn of debt owed by the Toyo Shinkin is being forgiven. IBJ will assume over Y40bn through IBJ Lease. The balance is to be borne by the Fuji Bank (Y11bn) and non-bank financial institutions.

Sanwa Bank will acquire the majority of Toyo Shinkin assets for Y50bn, although 25 of Toyo Shinkin's branches will be sold for Y18bn.

Sanwa will receive 10-year, low-interest loans worth Y80bn to help it liquidate the balance of Toyo Shinkin's bad debt. This money will come from the IBJ (Y50bn), the Federation of Credit Co-operatives (Y10bn) and the Deposit Insurance Corporation (Y20bn).

Securities firms to set repo guidelines

By Simon London

SECURITIES firms are moving to establish guidelines governing short-term lending between institutions collateralised on securities – known as "repo" trading by market participants and one of the fastest growing areas of the international bond market.

The firms believe that the rapid growth of repo lending means that new guidelines are required. If the industry does not move to formalise best practice, outside authorities may intervene, bankers said.

On Tuesday, representatives of more than 20 firms active in the repo market met with officials of the International Securities Market Association, the self-regulatory body for the international bond market under UK law. The firms want to establish a market practices committee within ISMA to set best practice guidelines for the conduct of repo activity.

In addition, leading firms have been working with the US Public Securities Agency (PSA) and Clifford Chance, the UK law firm, to draft standardised documentation for repo transactions. Currently, firms use their own legal documents and contracts.

Although repo activity has its roots in the late 1980s, the business has mushroomed in Europe over the past two years. Banks and securities firms including Deutsche Bank, Warburg Securities and Banque Paribas have become active in a market formally dominated by the big US securities houses.

The result is that institutions in London increasingly fund themselves by borrowing short-term using securities as collateral. Cheaper funding can be achieved from such secured transactions than by borrowing unsecured in the interbank loans market.

Repo activity carried out in London is regulated by the Securities and Futures Authority. While the SFA has detailed capital adequacy rules for repo transactions, the conduct of business is governed by the authorities' general principles for all securities transactions.

De la Rosa buys 9% of Ebro for Pta8bn

By Tom Burns in Madrid

MR JAVIER de la Rosa, the deputy chairman of Ebro, Spain's biggest foods group, has acquired 9 per cent of the company for Pta8bn ($77.4m).

The stake has been purchased on the open market from Banco de Santander. A spokesman said that the Kuwait Investment Office, which owns 39 per cent of Ebro through Torras, its Spanish holding, planned to maintain its shareholding.

It is understood that Mr de la Rosa, who is a close associate of Ebro's chief executive Mr Manuel Guasch, would continue buying into Ebro with the intention of acquiring 24.9 per cent, just short of the level that under Spain's stock market rules would force a full takeover bid.

The development puts an end to speculation over the investment strategy chosen by Mr de la Rosa, one of the most active businessmen in Spain, as well as one of the wealthiest.

Ebro, which is the dominant sugar company in Spain and the fifth largest in Europe, has moved aggressively to become Europe's leading rice producer following a string of acquisitions outside Spain.

Its sales totalled Pta180bn last year.

The company is poised to expand further through the acquisition of Elosua, the second largest domestic edible oils producer.

Negotiations which would gain Ebro a controlling position in Elosua through a joint venture with Tabacalera, the state-controlled tobacco group, are due to be finalised next week.

Smith steps down as head of Magellan fund

By Karen Zagor in New York

FIDELITY Investments, the big US mutual-fund manager, is losing Mr Morris Smith, head of its flagship $20bn Magellan mutual fund only two years after he replaced money manager Mr Peter Lynch.

Mr Smith, 34, said he was stepping down as head of the US's biggest mutual fund to devote more time to his family and his religion. Mr Smith, a devout Jew, plans to take his wife and children to live in Israel for at least a year.

Mr Smith's resignation, from July 1, is likely to rattle Magellan's investors. When Mr Smith replaced Mr Lynch in 1990, investors had been concerned that he would not be able to match Mr Lynch's performance.

Mr Jeffrey Vinik, 33, will replace Mr Smith. Mr Vinik, who was once an assistant to Mr Lynch, is currently portfolio manager of Fidelity Growth and Income Fund with $3.7bn in assets.

Statoil profits cut to NKr800m

By Karen Fossli in Oslo

STATOIL, the Norwegian state oil company, said first-quarter net profit nearly halved to NKr800m ($124m) from NKr1.5bn last year due to lower crude oil prices and pressure on operating margins.

Statoil warned that based on market trends so far, profit for the year as a whole could be lower than in 1991 when it reached NKr2.75bn at the net level.

Mr Morten Woldsdal, a Statoil executive, explained that last year's first quarter was greatly enhanced by higher crude oil prices per barrel which were pushed up on average by $3-$4 to $21-$22 mainly due to the effects of the Gulf war.

Mr Woldsdal pointed out that a high and steady level of oil and gas production in this year's first quarter contributed to maintaining profits at a relatively high level in spite of the oil price fall.

Group operating revenue dipped to NKr19bn from NKr19.8bn while operating profit declined NKr1.4bn to NKr4.4bn.

● ELKEM, the troubled light metals producer, plunged into a first-quarter pre-tax loss of NKr116m from a NKr76m profit in the same period last year, but forecast rising demand for its products in 1992.

However, last year's profit included a NKr179m gain on the sale of the company's shareholding in Alcoa Nederland Holding.

Elkem's first-quarter performance nevertheless exceeded analysts predictions and the A shares closed 10.3 per cent higher at NK96.50.

Group first-quarter net sales were lifted NKr106m to NKr1.988bn as operating costs rose NKr22m to NKr1.888bn.

Treasuries move narrowly ahead of holiday in Europe

By Karen Zagor in New York and Simon London in London

US Treasury prices were narrowly mixed yesterday morning ahead of today's holiday in many European centres and with the market continuing to react to the previous day's confusing refunding news.

GOVERNMENT BONDS

At mid-session, the bellwether 30-year bond was $\frac{1}{8}$ higher at 99½, yielding 8.04 per cent while the two-year note was off $\frac{1}{16}$ to yield 5.44 per cent.

The Federal Reserve arranged $2.5bn in customer repurchase agreements when Fed funds were trading at 3⅞ per cent. The adding operating was expected, with Fed funds trading above the perceived target of 3¾ per cent.

The long end of the yield curve was bolstered by Wednesday's announcement that Argentina would be allowed to buy non-marketable 30-year zero coupons in the private market. The Treasury said it might also sell zero coupons directly to Argentina.

Shorter-dated maturities, however, weakened ahead of next week's quarterly refunding auctions.

There was little market reaction to yesterday morning's release of initial jobless claims for the week ended April 18, which were unchanged from the previous week. The market had expected a small increase in jobless claims for the week.

The market reacted with equanimity to the release of the Chicago-area purchasing managers' index for April which weighed in at 54.3 per cent on a seasonally adjusted basis against 51.1 per cent in March. A reading of over 50 per cent indicates the manufacturing sector is growing.

■ THE German government bond market weakened during the morning session in generally lacklustre trade yesterday, setting the tone for markets through-out Europe ahead of a public holiday in many countries today.

The June bund futures contract on Liffe, the London exchange, opened at 87.19, from 87.21 on Wednesday and below the important support level at 87.20. The contract quickly fell to 87.08, the low for the day.

Official data confirmed consumer prices in western Germany rose by 0.3 per cent in the month to mid-April, for a year on year inflation rate of 4.5 per cent. The annual inflation rate was 4.8 per cent in March.

The figures were in line with market expectations following the release of data from German länder earlier this week.

Bund prices recovered later in the day as dealers squared positions ahead of today. By the close, the June contract on Liffe stood at 87.21.

Volume was strong at 66,000 contracts.

Next week, interest is likely to centre on the first issue of paper by the European Recovery Programme Fund, a body set up to fund economic re-generation in eastern Germany.

The bonds will probably have to priced to yield slightly more than either bunds or bonds issued by the Unity fund, another government-backed body.

Yesterday Liffe said that bonds issued by the ERP would not be deliverable into its government bond futures contract, matching a decision by the DTB, the Frankfurt exchange, earlier this week.

■ THE UK government bond market paused for breath yesterday as dealers adjusted positions taken ahead of Wednesday's £2.5bn gilts auction.

The gilt futures contract on Liffe opened at 98.18, slipped to 98.13 in the morning in line with the fall in the German market, but later recovered to stand at 98.17 by late afternoon. Volume was a sluggish 20,000 contracts.

In the cash market, the benchmark 9 per cent gilt maturing 2011 was also slightly weaker. From an opening level of 99$\frac{17}{32}$, the issue traded down to 99.16 by late afternoon, for a yield of 9.05 per cent.

During April, the gilts market out-performed every other major government bond market according to a database of 21 markets compiled by Kemper Investment Management.

A balanced portfolio of gilts returned 4.8 per cent on the month, rising sharply following the Conservative election victory. In contrast, a portfolio of German government bonds returned 0.8 per cent in local currency terms.

■ The Italian Treasury completed this week's funding programme with an auction of five-year fixed-rate bonds. The authorities issued L6,000bn paper, which was sold to the market at an average yield of 11.08 per cent, unchanged from the previous auction in early April.

The market continued to be buoyant despite the weekend resignation of Mr Francesco Cossiga, which has left the country without president or prime minister. The benchmark 10-year fixed-rate bond maturing January 2002, closed at 98.34, from 98.35 on Wednesday.

■ JAPANESE government bond prices continued the gentle slide which prevailed earlier in the week, the benchmark 10-year bond moving to its lowest point this year before recovering slightly in late trading.

The benchmark 10-year issue No 129 closed the Tokyo day on a yield of 5.71 per cent, from 5.685 on Tuesday. The markets were closed on Wednesday for a public holiday. During the day the issue had hit a low of 5.725 per cent.

Trading volume was sluggish, with volume in the benchmark issue reaching just Y256bn. Analysts said investors were wary of committing funds because of the prospect of a large volume of corporate bond issues to refinance maturing equity-linked debt. Yesterday, NEC, the electronics company, said it would issue Y50bn of three-year bonds in the domestic market.

The next government bond auction, postponed until after the Golden Week public holidays next week, will probably take place on May 7. Dealers are expecting the new bonds to carry a 5.5 per cent coupon, unchanged from the last auction. However, most said a higher 5.7 per cent coupon could be required to attract long-term investors into the auction.

● Portugal's central bank has extended a 10-month-old ban on foreigners buying high-yielding variable interest rate government bonds until the end of 1992, Reuters reports.

A Bank of Portugal spokesman said the ban, imposed last July, had been extended until the end of this year. Portugal banned foreigners buying its attractive Public Investment (FIP) variable interest rate bonds to curb buying pressure on the escudo and dampen high local interest rates.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	104.0890	-0.130	9.38	9.67	9.84
BELGIUM		9.000	08/01	100.8600	-0.100	8.67	8.66	8.67
CANADA *		8.500	04/02	97.6500	-0.050	8.86	8.89	8.80
DENMARK		9.000	11/00	101.0000	-0.120	8.82	8.80	8.72
FRANCE	BTAN	8.500	03/97	98.4089	-0.078	8.90	8.88	8.95
	OAT	8.500	11/02	98.4000	-0.020	8.72	8.70	8.67
GERMANY		8.000	01/02	100.0200	+0.060	7.98	7.98	8.00
ITALY		12.000	02/02	98.3300	-0.030	12.29†	12.32	12.40
JAPAN	No 119	4.800	06/99	93.9500	-	6.01	5.90	5.59
	No 129	6.400	03/00	103.6989	-0.239	5.72	5.69	5.52
NETHERLANDS		8.250	02/02	99.3300	-0.020	8.34	8.34	8.39
SPAIN		11.300	01/02	102.1000	+0.080	10.83	10.57	10.84
UK GILTS		10.000	11/96	102-12	-2/32	9.34	9.42	10.16
		9.750	08/02	103-22	-5/32	9.19	9.23	9.88
		9.000	10/08	99-18	-6/32	9.05	9.08	9.54
US TREASURY *		7.500	11/01	99-14	+7/32	7.57	7.59	7.56
		8.000	11/21	99-17	+[illegible]	8.04	8.08	7.96
ECU (French Govt)		8.500	03/02	98.2300	-0.110	8.77	8.70	8.65

London closing. *denotes New York morning session. Yields: Local market standard
† Gross (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Salomon included in IADB new core banking group

By Richard Waters

SALOMON Brothers has been included in a new core group of banks picked by the Inter-American Development Bank, another sign of its rehabilitation following last summer's US Treasury bond market scandal.

The IADB, the largest supplier of long-term development capital to Latin America, this year expects to raise up to $5bn in the capital markets. It has told banks this week it is abandoning its method of selecting lead managers for US dollar bond issues by rotation, and replacing it with a system of competitive bidding.

Salomon has been chosen as one of only four banks which will be invited to bid each time the IADB seeks to raise dollars. The others are Goldman Sachs, Merrill Lynch and CSFB.

Mr Carlos Santistevan, IADB treasurer, said the choice of Salomon reflected its efforts to improve its internal control to prevent a recurrence of last year's Treasury auction rigging, as well as Salomon's leading presence in the US dollar bond markets.

The IADB's switch to competitive bidding is part of the overhaul of its financial functions, begun two years ago after the appointment of a new management team.

It had previously rotated the lead management of dollar bond issues between three banks in the international bond market and four in the domestic US market. Now, a single group of seven banks will bid each time the IADB seeks to raise dollars in the public markets for periods of more than five years, with no distinction made between the domestic and Eurodollar markets.

"We believe that more competition and getting firms involved in both markets will help us narrow the spreads we get for our funding," Mr Santistevan said. He added, though, that the bank would not necessarily always accept the lowest bid it received.

Besides the four core banks, two others – Deutsche Bank and J.P. Morgan – will be invited to bid on alternate transactions, while six others will bid on one deal in every three.

Since its capital increase two years ago the IADB has become a more active borrower, having raised only $1.8bn in 1990. It arranges roughly a third of its borrowing in dollars, with a further third in yen and most of the rest in low-yielding European currencies.

It is thought likely to undertake a similar reorganisation of the syndicate of banks it uses to raise yen.

Warm reception for National & Provincial five-year issue

By Richard Waters

NATIONAL & Provincial, the UK building society, was the latest to cash in on the appetite for sterling paper yesterday as conditions in the swap market improved enough to draw in a floating-rate borrower.

INTERNATIONAL BONDS

Building societies are not flavour of the month in the bond market at the moment, but the pricing of N&P's five-year, £150m transaction was sufficient to ensure a good reception. The bonds were priced to yield 65 basis points over five-year gilts, and with a steady gilt market tightened in later trading to a yield spread of 62-63 basis points. Banks involved in the issue reported strong demand from investors in the UK and from continental Europe, particularly Germany.

N&P's AA3 rating makes it one of the better credits in the building society world, but ratings in the sector generally have been under pressure: Woolwich was downgraded, following Alliance & Leicester, and at least one other major society is on credit watch.

The yield spread compared favourably with other similar building society issues, for instance the 60 basis point spread on a five-year Nationwide deal. However, most banks said the pricing was not over-generous, given the possibility of more building society deals following soon.

The N&P issue takes the total of Eurosterling bonds issued since the general election to £2.2bn. The amount would be far greater, but many fixed rate borrowers have stayed away in the hope of lower rates later in the year, while floating rate borrowers have been kept away by a lack of swap opportunities. The adverse conditions in the swap market eased slightly yesterday, though not enough to attract other borrowers.

BNDES, Brazil's national development bank, returned to the international bond markets yesterday for the first time since last autumn with a $100m three-year deal priced to yield 3.7 per cent over US Treasuries. At below 4 per cent, the yield spread is lower than for other recent three-year Brazilian issues. However, banks involved in the transaction said they had little trouble in selling the bonds, given BNDES' good standing. The unrated bank is wholly owned by the Brazilian state, though its borrowings do not carry the state's guarantee.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
BNDES(b)†	100	9.25	99.652	1995	75bp/50bp	Bear Stearns Intl.
STERLING						
Nat.& Provincial B.S.(a)†	150	10	100.80	1997	1.875/1.7	J.P. Morgan Secs.
FRENCH FRANCS						
Credit Local de France(c)†	500	9.25	101.12	1999	(c)	CCF
SWISS FRANCS						
General Electric Corp(a)†	180	7	102.00	1995	-	Sq. Paribas Suisse

☆Private placement. §Convertible. ◆With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Full name of borrower: Banco Nacional de Desenvolvimento Economico e Social. Coupon payable semi-annually. Non-callable. c) Deal becomes fungible with existing FFr2.2bn deal 40 days after payment date.

US bank reorganisation plan comes into effect

By Nikki Tait in New York

"SON of Drexel" was born yesterday, as a reorganisation plan filed by the bankrupt US investment bank and already approved by the US courts, was scheduled to take effect.

Under the plan, a successor organisation to Drexel Burnham Lambert, the once high-flying investment bank which pioneered junk bonds in the 1980s is created. But New Street Capital Corporation, the new company, is a pale shadow of Drexel, which collapsed into bankruptcy two years ago. With assets of $479m, it is essentially managing the former investment bank's most illiquid investments.

It is owned by a liquidating trust, which is winding up Drexel's other assets and distributing them to creditors, under the arrangements set out in the plan. There are still about $8bn-worth of disputed claims against Drexel, and certain transferable "certificates of beneficial interest" will be set aside until these are either resolved or cancelled.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:05 pm on April 30

U.S. DOLLAR STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / SWISS FRANC STRAIGHTS / CONVERTIBLE BONDS / YEN STRAIGHTS (Issued, Bid, Offer, Chg. day, Yield)

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	59	8
Other Fixed Interest	0	10	7
Commercial, Industrial	383	252	824
Financial & Property	176	115	501
Oil & Gas	31	16	41
Plantations	0	1	8
Mines	38	11	98
Others	70	21	52
Totals	709	485	1,539

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
12	Nil	28/4	½pm	½pm	Addison Consultancy	½pm	
105	Nil	29/5	32pm	6pm	European Motor	29pm	-1
36	Nil	6/5	14pm	4pm	Kynoch (G & G)	6pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ◆ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings	April 13
● Last Dealings	May 1
● Last Declarations	July 23
● For settlement	August 3

3-month call rate indications are also shown on this page.

Calls in Aran Energy, ASDA, Berisford Intl., BET, Ferranti, J. Finlay, Albert Fisher, Moorgate Smaller Co's. Inc. Trust, Oliver Rae, Ratners, Saatchi & Saatchi, Speyhawk Ord. and Pref. shares. Put and call in Premier Cons.

LIFFE EQUITY OPTIONS

[illegible]

Option		May	Aug	Nov	May	Aug	Nov
Brit Aero (*342)	300	47	58	63	1½	6	14
	330	24	39	42	7	16	26
	360	5	20	30	22	33	42

April 30 Total Contracts 34,090
Calls 22,945 Puts 11,145
FT-SE Index Calls 8,371 Puts 4,381
Euro FT-SE Calls 1,730 Puts 600
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

Stock	p	Stock	p	Stock	p	Stock	p	Stock	p
■ INDUSTRIALS		Charter Cons.	37	Ladbroke	14	Sears	9	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	22	SmKl Bchm A	60	Aviva Pet	26
Amstrad	6½	Courtaulds	39	Lex Service	18	TI	48	BP	20
Astec (BSR)	3	Eurotunnel	29	Lloyds Bank	32	TSB	11½	Burmah Castrol	44
BAT Inds	16	FKI	8	Lonrho	12	Tesco	22	Conroy Pet	7
BOC	63	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	32	Forte	21	Marks Spencer	27	T & N	11½	Premier Cons	2½
Barclays	28	GKN	30	Midland Bank	30	Unilever	70	Shell	33
Blue Circle	25	Gen Accident	39	NatWest Bank	26	Vickers	13	Tusker Res	½
Boots	39	GEC	15	P & O Dfd	37	Wellcome	80	■ MINES	
Bowater	60	Glaxo	59	Racal Elect	5	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	35	RHM	18	Brit Land	19		
British Steel	6½	GRE	12	Rank Org	55	Land Sec.	34		
Brit Telecom	24	Hanson	18	Ratners	2½	MEPC	26		
Cadburys	33	ICI	96	Reed Intl	44	Mountleigh	1½		

'Shrinkage' equates to about 1% of turnover

Aggressive Kwik Save rewarded with 6% rise

By John Thornhill

PRICE CUTTING, higher advertising costs and increased theft depressed operating margins at Kwik Save, but the discount food retailer still managed to increase interim pre-tax profits by 6 per cent.

They came to £51.2m in the 28 weeks to March 14, against £48.1m. The shares closed 19p higher at 600p.

Mr Graeme Seabrook, chief executive, said Kwik Save had made a conscious decision to respond aggressively to the intensified competition from Sunday opening and the launch of new discounting fascias.

The group had increased promotional activity and cut prices – even to the point of selling some lines below cost – to win additional sales and increase the pressure on rivals, such as Aldi, Netto, Food Giant and the Co-operative discount stores.

"Our policy for the past 25 years has been that attack is the best form of defence," Mr Seabrook said, pointing out that the group was continuing to open stores at a rate of one a week addding to its existing portfolio of 760

Sales, excluding VAT, swept ahead by 41 per cent to £1.22bn (£865.9m). The figure was swollen by the inclusion of sales from Liquorsave, an off-licence concession bought last June.

However, grocery sales (including VAT) still advanced by 26 per cent with sales volumes (including liquor) ahead by almost 15 per cent. Price inflation fell from 5.5 per cent in the second half of last year to 2.1 per cent as the group sharpened prices.

Operating margins fell from 5.3 per cent to 4.3 per cent – although this partly reflected the inclusion of lower-margin liquor sales. Increased theft also had an impact; "shrinkage" equated to about 1 per cent of turnover.

The group expected cost pressures to ease in the second half and new store acquisitions to contribute more positively. "But we are not seeing any signs of the end of the recession. I suspect it is still a little way away," Mr Seabrook said.

Earnings per share climbed to 22.29p (20.72p). The interim dividend is lifted to 4.7p (4.3p).

Mr Seabrook deflected questions concerning his much-rumoured return to Dairy Farm International, the Hong Kong-based group which is Kwik Save's biggest shareholder. "I plan on being here for at least another 12 months and the board is very relaxed about our succession plans," he said.

Mr Peter Hughes, who is responsible for stores operations and distribution, has been elevated to the board. The company is still searching for a replacement for the finance director, Mr Simon Moffat, who is leaving to join Hillsdown Holdings.

See Lex

Eurotunnel pays TML to ensure funding

By Michael Cassell

EUROTUNNEL, the Channel tunnel company, said last night that it had made a £50m payment to Transmanche Link (TML), the consortium of construction companies building the £8bn project.

Eurotunnel, which is pursuing arbitration over an independent disputes panel ruling that it should step up monthly progress payments to TML from £25m to £75m, said it had to make the payment in order to ensure that funding for the tunnel was continued beyond the end of May.

Eurotunnel emphasised that the £50m payment was a necessary condition set down by the agent banks in return for their recommendation to the syndicate of leading lenders of a waiver permitting the project to be funded beyond May.

The company said that the payment had been made without prejudice to Eurotunnel's rights under the construction contract. It intended to pursue arbitration over an increase in contractors' payments through the Industrial Chambers of Commerce in Brussels.

Eurotunnel is continuing talks with its bankers.

McCarthy & Stone losses deepen

By Peggy Hollinger

MCCARTHY & STONE, the loss-making builder of sheltered housing for the elderly, was optimistic about prospects in the property market in spite of revealing deeper losses of £6.9m for the six months to February 29.

Mr Kevin Holland, sales director, said all the elements of recovery were in place, following the end of political uncertainty in the UK and the demise of many competitors during the recession. Sales for March, normally a slow month, were double those of last year, he said.

"The marketplace is still difficult, but we have certainly seen a turnround," he said. "It is slightly more alive than dead."

The stock market was less optimistic about the future, and marked McCarthy's shares down 14 per cent from 73p to 63p.

Rationalisation costs of £1.6m – taken above the line – dealt a heavy blow to the interim results, which compared with pre-tax losses of £5.4m last time.

The exceptional costs, due to closing a regional office and rationalising operations, offset the benefits of lower interest charges which fell from £7.3m to £5m.

Bank debt was down from £87.4m to £69.2m, following the £13.3m rights issue last May and tighter control of costs. Gearing stood at 75 per cent.

Turnover for the period was 21 per cent down at £26.2m. This was the main reason for the decline in profitability of the UK retirement homes division, which fell from trading profits of £700,000 to break-even.

However, a lower average selling price of £68,500 – compared with £68,900 – also contributed to the decline.

Mr Holland said the price fall had been due to a larger proportion of older stock. He added, however, that new stock was coming on stream at a higher rate than last year, and would improve margins in the second half.

The French subsidiary incurred losses of £300,000 during the first half. Mr Holland said all further investment overseas had been halted.

Losses per share improved from 14.1p to 11.1p. The interim dividend is maintained at 0.5p.

Newspaper Publishing in the black but warns on outlook

By Raymond Snoddy

NEWSPAPER Publishing, the owner of The Independent and Independent on Sunday, has moved into profit in the first half after more than a year of significant losses.

The company made a pre-tax profit of £465,000 in the six months to March 29, which compared with a loss of £6.46m in the same period last year.

The 1991 loss did, however, include exceptional items of £1.9m.

However, Sir Ralf Dahrendorf, the newly appointed chairman, warned yesterday that "in the absence of the long-expected economic recovery it will be difficult to sustain this positive result in the second half of the year."

Sir Ralf said The Independent held its own in the face of considerable promotional activity by its competitors and that sales of the Independent on Sunday had risen, in spite a cover price increase in December.

Turnover amounted to £41.3m (£40.8m).

Earnings per share of 2.2p compared with losses of 45p last time and 64.2p in the full year to end-September 1991.

Sir Ralf said the company had started to reap the benefits of the efforts taken last year to reduce costs.

Repayment of substantial bank loans out of last year's rights issue had also helped the profit and loss account.

Wellcome sanction

WELLCOME Trust yesterday won the sanction of the High Court to reduce its stake in Wellcome, the pharmaceutical company, from 73.6 per cent to 25 per cent.

The Trust, a medical charity, plans to sell much of its holding through a global sale this summer, probably in July.

The Trust was established under Sir Henry Wellcome's will and needed court approval to cut its stake below 50 per cent.

The court said the trust could sell up to 417m shares.

M and S near to sale of Canadian chain

By Bernard Simon in Toronto and John Thornhill in London

MARKS AND Spencer, the international clothing and food retailer, is at an advanced stage of negotiations to sell its Peoples chain of Canadian department stores to Wise Stores of Montreal.

The deal comes six months after M and S hired Burns Fry, a Toronto investment bank, to investigate ways of retreating from its perennially loss-making Canadian operations.

Mr Alex Wise, president of Wise Stores, said yesterday that he expected the talks to be completed in the "very near future." There was an "exact synergy" between Peoples' 81 department stores and his own group's 49 outlets.

Both chains sell mainly clothing, houseware and appliances in Quebec and Canada's four Atlantic provinces. But Mr Wise said their outlets overlapped in only five cities.

Terms of the proposed transaction have not been disclosed. But analysts in London speculated that M and S might receive anything between £10m to £50m, depending on the terms of the deal and strength of recent trading.

In the year ending March 31 1991, Peoples made profit of £500,000 on sales of £81.4m, but slipped back into a small loss at the interim stage.

M and S also operates 74 own name stores in Canada and 119 D'Allaird's women's fashion stores. In total, its three Canadian businesses lost £3.6m on sales of £191.2m last year.

On Wednesday, the M and S board held its last meeting before announcing annual results on May 12. The subject of how to tackle the Canadian operations was believed to have been high on the agenda and further announcements are expected.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bletchley Motors ......fin	4.1	June 12	3.75	8.2	7.85
Bridgend ......fin	0.8	June 26	0.8	1.2	1.2
Brown & Jackson ......fin	nil	-	1.3	0.1	1.9
CI ......fin	1.225	July 1	1.225	2.05	2.05
Kwik Save ......int	4.7	July 1	4.3	-	14.7
Le Creuset § ......fin	0.42‡	June 16	0.0.28	0.42	0.39
McCarthy & Stone ......int	0.5†	July 20	0.5	-	1
McLaughlin ......fin	nil	-	6.75	nil	10
Scot Mort & Tst ......fin	2.6	July 1	2.45	3.9	3.7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡French francs.

Schofield will steer MTM

By Richard Gourlay

MTM, the specialist chemicals company which saw its share price plunge in March, yesterday appointed Mr Ken Schofield as chief executive in a board shake-up involving the resignation of all non-executive directors.

The shares gained 7p to 64p yesterday on news of the appointment.

It followed a boardroom battle between two camps. On one side, the executive directors and institutional shareholders led by Gartmore, and on the other, Postern, the corporate management specialists, Robert Fleming, MTM's adviser, and the non-executive directors.

Mr Schofield was chief executive at Hickson International, the chemical company, but announced in March that he would be leaving in May, having turned the business around.

MTM's non-executive directors failed on Wednesday to persuade the board on the merits of a Postern-backed plan to revive the group's fortunes which involved selling key assets to reduce debt. The non-executives, Mr Stuart Wamsley, Lord Tordoff and Mr Don Mackay, resigned yesterday, along with Fleming as adviser.

The executive directors, backed by Gartmore which controls 5 per cent of MTM, supported the appointment of Mr Schofield and his plan to trade the company out of difficulty rather than break it up.

"I am a great one for trying to retain what is good in a company and reluctant to sell what are the crown jewels in a depressed market," Mr Schofield said.

MTM's share price slumped from 286p to 26p in March after it failed to convince Binder Hamlyn, its auditors, to sign off its 1991 accounts and warned of profits well below expectations.

The announcements triggered concern about last year's accounts, which the auditors are now reviewing.

Mr Richard Lines later resigned as chairman and Mr Tom Baxter left the finance director post. Mr Lines retains a 7 per cent stake in the company, which he founded in 1979 after a career with ICI.

MTM declined to comment yesterday on whether the company would have to adjust earlier years' profits and balance sheets as a result of the review by Binder Hamlyn.

The board meeting held last Wednesday is understood to have discussed a draft report on the company's accounting and underlying transactions. Some details are likely to be included when MTM reports its 1991 profits next week, more than seven weeks after they were due.

During his 18 months as chief executive at Hickson, Mr Schofield is widely credited with sorting out eight years of less than successful acquisitions.

Mr Schofield is now seeking new non-executive directors and a new chairman. Postern, which was brought in as consultant after the resignation of Mr Lines and Mr Baxter, is to continue helping with the financial management at MTM which still lacks a finance director.

Resort Hotels to raise £20.6m via rights

By Jane Fuller

RESORT HOTELS, which concentrates on mid-market, three-star venues, is making its fourth rights issue in less than four years to fund acquisitions.

The £20.6m proceeds of the 1-for-2 issue will virtually wipe out net debt ahead of the purchase of 11 hotels already run by the group. These hotels in the County Resort and Country Resort chains will bring the number of hotels owned by the group to 25, while another 19 are managed.

The issue price is 63p. Yesterday the shares shed 7p to close at 76p.

When the group floated on the USM in March 1988, the placing price was the equivalent of 70p (there has been a consolidation).

The group estimated that pre-tax profit had increased by at least 30 per cent to £6m in the year to yesterday. Mr Robert Feld, managing director, said turnover would be roughly 35 per cent ahead of the previous £12.2m.

However, additional shares in issue meant that earnings would fall by about 1p to 7.95p. The total dividend is forecast to rise slightly to 3.45p (3.4p).

Since the previous rights issue, a 3-for-5 in February last year which raised £12.1m, the network has grown from 33 to 44 hotels, with the number of bedrooms doubling to 1,900.

Mr Feld said some protection from recession in the UK had been derived from business customers trading down from the four or five-star level, and from the smaller size of the hotels.

"They are not sleeping factories."

The hotels being acquired are part of the Business Expansion Scheme, in which Resort has its roots. Mr Feld said the purchases, which would be completed in 1993 and 1994, would bring in £24.5m of debt.

Resort's latest net debt figure was £21m, about £1.4m more than the last year-end, and the acquisitions could have pushed up gearing to 55 per cent. The pro forma debt-equity ratio after the rights, taking account of the acquisitions' debt, was 21.5 per cent.

The hotels will be acquired for just over 13m shares, which after the rights issue will further expand the number in issue by 13 per cent.

Mr Feld said: "I don't think we will need another rights issue for a very considerable period because of opportunities to expand by way of management contracts." One source of these contracts in a difficult time for the UK hotel trade was banks putting unsold hotels "in deep storage" until the market picked up.

MFI confirms reflotation in light of better trading

By Maggie Urry

MFI FURNITURE Group, the kitchen and bedroom furniture manufacturer and retailer, said yesterday that it was going ahead with a reflotation this summer.

The group was the subject of a £718m management buy-out in 1987 and aimed to return to the stock market within three years.

However, the float was delayed by the recession which put pressure on its trading.

Yesterday, MFI said it was planning the flotation "in the light of much improved trading in the first few months of 1992 and the stock market's encouraging reaction to the general election result".

The joint stockbrokers to the issue – Rowe & Pitman and Smith New Court – both published research on the group yesterday. They estimate that the group will have made a trading profit of £70m in the financial year which ended last Saturday.

They point out that, despite the recession, the group continued to trade profitably before interest charges, with the lowest year producing a trading profit of more than £50m. They say that MFI is the leading UK furniture retailer with 13 per cent of the market. About 60 per cent of sales are accounted for by products it manufactures itself.

The value of the group will depend on the amount of debt which will be repaid from the proceeds of the float, but a figure in excess of £750m is expected.

The group has about £500m of debt at present. Mr Derek Hunt, chairman, said yesterday that the group would be comfortable with up to £100m of borrowings.

It has yet to decide how much to raise in the float and shareholders who backed the buy-out may use it to sell their shares. Asda, the food retail group which previously owned MFI, and which has 25 per cent of the shares, has said it is not a long-term holder of MFI.

Mr Hunt said the group, which has 174 stores in the UK, aimed to roll out its new trading format in the UK over the next three years and has targeted 40 towns where it would like to open stores. It also aims to expand its profitable 30 store chain in France and possibly to expand into Spain and Portugal later.

It is also considering expanding its manufacturing business to cover electrical kitchen appliances such as ovens, fridges and dishwashers.

Asda Prop jumps to £4.46m

A JUMP in pre-tax profits from £1.4m to £4.46m was announced by Asda Property Holdings for the year to December 31.

Mr Emanuel Davidson, chairman, said the improvement was achieved through a combination of increased trading activity, growth in rental income and reductions in interest payable and overheads.

Turnover amounted to £35.9m (£31m) with net rental income of £11.1m (£10.2m).

Earnings improved to 5.6p (2p) and, as already announced, the dividend is raised to a total of 2p (1.85p) with a second interim, in lieu of a final, having been paid on April 3.

Correction

Greycoat

Yesterday we reported that Greycoat had completed a £125.8m refinancing of a property in London. In fact, although it has received commitments from banks for the financing, the deal is not due to be formally completed until June.

Worcester opposition group appoints Cazenove to advise

By Maggie Urry

SHAREHOLDERS in Worcester Group who are opposed to a £71.8m bid from Robert Bosch, the German conglomerate, which the company has agreed, yesterday appointed Cazenove, the brokers, to act for them.

Also yesterday, Bosch's adviser posted the offer document to Worcester shareholders. It disclosed that Bosch already has undertakings to accept from 51.4 per cent of holders, or 50.6 per cent on a fully diluted basis, and so could go unconditional as to acceptances.

In the document Mr Michael Davies, Worcester's independent director, advises Worcester shareholders to accept or "it is likely that you will become a minority investor in a company effectively controlled by Bosch".

The document also outlines the industrial logic in combining Bosch's Junkers boiler division with Worcester, the leading maker of combination boilers in the UK.

Shareholders who met yesterday to discuss action are believed to account for about 25 per cent of Worcester's capital. They think that the 225p price being offered is too low. Some are also concerned that an arrangement giving Worcester's management shares in the new Bosch subsidiary, rather than cash, means that not all shareholders are being treated similarly, a requirement of the Takeover Code.

Worcester's management will be bought out in 1996 at a price depending on average earnings in 1993, 1994 and 1995.

The document says the management deal was "discussed extensively" with and approved by the executive of the Takeover Panel before the offer was announced. The dissenting shareholders have already lodged a complaint with the Panel and are considering an appeal to the full Panel.

Second half puts Filofax in black

FILOFAX wiped out its first half loss to record a pre-tax profit of £493,000 for 1991, compared with a deficit of £1.55m.

Mr Robin Field, chief executive, said the improved performance – the second half produced £1.1m – was the result of the international market for ring binder organisers remaining strong, success of new products introduced in the second half of 1990 and in 1991, and the fruits coming through of work done on the international distribution network.

The outcome reflected an improvement in gross margins – turnover came to £10.7m (£11.1m) – as well as the strict control of overheads. Earnings per share worked through at 2.5p (losses 9.5p).

Reorganisation and restructuring costs of £602,000 (£1.3m) were provided. Those were the last exceptional charges directly resulting from the new strategy.

US sales for 1991 were 14 per cent ahead in dollar terms despite an overall decline in the stationery market.

Reorganisation costs behind decline to £3.33m at CI Group

By Angus Foster

CI GROUP, which is rationalising and reappraising strategy after growing rapidly in the 1980s, yesterday announced a decline in profits because of the recession.

Pre-tax profits in the year to January 31 fell from £3.75m to £3.33m. This followed profits of £1.69m at the interim stage.

Mr Patrick McTighe, who became chairman last October, said CI had disposed of its loss-making capital goods businesses, leading to an extraordinary charge of £1.67m. Labour had been cut 9 per cent and a review of activities was continuing, with attention focused on the core steel and engineering divisions.

Turnover fell to £75.5m (£93.7m), reflecting disposals and recession.

Sales within the steel reinforcement and re-rolling divisions were worst affected, falling 22 per cent and 16 per cent respectively, but the flooring side limited the fall in turnover to 6 per cent, reflecting resilient industrial sales.

Earnings fell to 2.65p (3.83p). The final dividend is 1.225p to hold the total at 2.05p.

A net cash inflow of £1.5m reduced borrowings to £4.9m (£6.4m) and led to a lower debt/equity ratio of 34 per cent (40 per cent). Interest costs dropped to £1.16m (£1.81m).

● COMMENT

CI's declining borrowings, new management and rationalisations highlight its attractions as a recovery play. But yesterday's 21 per cent rise to 28p in the share price was due to relief about the dividend rather than confidence that the company is well set for upturn. This year should see the benefits of cost cuttings and a lower interest charge. But exposure to the depressed construction industry via its steel reinforcement and commercial flooring operations suggest CI may lag, even if its early cycle businesses exceed expectations. Forecast profits for this year of £3m to £3.5m put the shares on about 10 times earnings with a 9 per cent yield. With the company's strategy review yet to be completed, and more disposals possible, uncertainty may keep a lid on the share price a little longer.

Cronite returns to profits

Cronite Group returned to profits in the six months to March 31 with £311,000 pre-tax against losses of £2.21m.

The Birmingham-based engineer has received a £7.3m offer from AFE, a quoted French engineering company.

Trading profits of continuing activities advanced from £71,000 to £456,000, aided by the release of £110,000 from provisions.

The pre-tax figure was helped by lower interest charges of £285,000 (£663,000). The sale of Cronite Steels at the end of January lowered borrowings significantly and gearing had been cut further by positive cash flow, the company said.

Turnover was £10.6m (£22.6m) of which £9m (£8.38m) related to continuing activities.

There is no interim dividend.

Bletchley Motor rises to £753,000

Bletchley Motor Group increased pre-tax profit by 21 per cent, from £623,000 to £753,000, in 1991.

This USM-quoted Vauxhall, Ford and Rover dealer, limited its fall in new vehicle sales volume to 8 per cent, increased sales in the second hand market, and had another good year in contract hire.

Sales and servicing accounted for £238,000 of the profit and contract hire almost doubled its contribution to £485,000. Overall turnover rose to £60.2m (£55.9m).

Growth in turnover had already been seen and the group was ahead of budget in the first quarter of 1992.

Earnings per share were 15.8p (12.9p) and the final dividend is 4.1p for a total of 8.2p (7.85p).

Le Creuset advances to £3.32m

DESPITE the recession, Le Creuset, the USM-quoted French company famous for its cast-iron cookware, produced a 5.1 per cent increase in pre-tax profits from £3.16m to £3.32m in the year to December 31 1991.

Turnover improved by 5 per cent, from £32.8m to £33.9m.

Mr Paul Van Zuydam, chairman, said that first quarter sales were encouraging with volumes up in most parts of the world.

He said that this should have a positive effect on factory overhead recovery and operating profit.

Earnings per share rose from 13.1p to 13.7p.

A dividend of FFr0.42 is proposed for the year, compared with a total of FFr0.38 for 1990.

هكذا صدر الأصل

Making waves on the Spanish main

Peter Bruce and **Peggy Hollinger** wonder whether Bibby is merely tilting at windmills

J BIBBY & Sons, the industrial and agricultural conglomerate which is proposing to launch a hostile £75m bid for Finanzauto, Spain's only Caterpillar dealer, said yesterday that it was satisfied with progress on the offer.

The statement was issued following confusion on Wednesday night surrounding the request by the Spanish stock exchange for official evidence of Bibby shareholder approval of the deal.

"We always knew the stock exchange would not be approving the offer until we delivered shareholder support," says Mr Alan Gresty, finance director. A shareholders' meeting will be held in London on May 14 to get formal approval – although Bibby's 79 per cent shareholder, the South African group Barlow Rand, has already indicated it supports the deal. Following the EGM the bid will become official.

Finanzauto's board rejected the bid on Tuesday, saying it undervalued the company.

Mr Gresty remains optimistic about Bibby's chances: "We are still very confident as far as the way we have proceeded and the price we have offered."

Bibby's proposed bid is a brave adventure into unknown territory. One can count the number of successful hostile takeover bids in Spain on the fingers of one hand and they have all been mounted by Spaniards.

The difficulty lies in the Catch 22 situation of cross-border bids for Spanish public companies. The Spanish takeover code – as implemented last summer – decides that cash offers for public companies must be virtually unconditional – ie, complete with shareholder approval. To gain that approval, however, a UK company must publish details of the bid, and allow at least 21 days for an EGM.

The relatively untested conflict put pressure on Bibby's proposed bid, by forcing its hand rather earlier than it would have liked. The Spanish stock market commission (CNMV) said on Wednesday night that it would not consider the documentation – which it had asked for, following rumours of an offer – as complete until it had evidence that Bibby shareholders approved of the $133m offer. Bibby might have hoped for some flexibility on that particular clause given Barlow Rand's support.

> **Bibby's proposed bid for Finanzauto is a brave adventure into unknown territory. One can count the number of successful hostile takeover bids in Spain on the fingers of one hand and they have all been mounted by Spaniards**

Still, Bibby denies that the CNMV decision alters its plans in any way, or that it represents a setback to the proposed offer.

Finanzauto stock, meanwhile, will begin trading again on May 4 and investors will have almost two totally free weeks to drive up the price and, perhaps, make Bibby pay more than it had bargained for.

Not surprisingly, Bibby says it has no intentions of making a higher offer and dismisses rumours of a white knight.

"If there is another player, it should make an offer as we have, through the proper procedures," Mr Gresty says.

The next two weeks will be uncomfortable for Bibby and Barlow Rand, which badly needs Finanzauto to break its machinery business out of the crippled South African market.

Barlow is already Caterpillar's sole distributor in South Africa, where off-highway equipment sales have shrunk 80 per cent since 1983, and it has also just been appointed Caterpillar's distributor in Bulgaria. But Finanzauto operates in a market 10 times bigger than South Africa's in earth-moving products.

While they wait, Barlow/Bibby will take succour from two things.

First, Caterpillar is supporting the bid. The US group and Barlow Rand have developed close ties and Caterpillar stuck by Barlow Rand when many US companies were disinvesting from South Africa in the 1980s. Even if Finanzauto manages to find a white knight, any buyer would require Caterpillar's approval. Perhaps conscious of this, Finanzauto is believed to have approached a Caterpillar distributor in France.

Second, analysts in Madrid are recommending the Pta1,300 (706p) being offered for Finanzauto's shares. "Finanzauto may be worth more than $133m," says one Madrid broker, "but not with its current management." The shares were trading at Pta1,075 when they were suspended last Thursday.

But that criticism is not shared by analysts who track the world's cyclical off-highway equipment markets. "Finanzauto is far and away the strongest and healthiest company in the equipment market in Spain," says Mr Chris Barrow-Williams, a sector specialist with the Corporate Intelligence Group in London.

This is where Bibby might find itself doing battle for market and shareholder sentiment as it waits to resubmit its offer.

Mr Barrow-Williams says Finanzauto has substantially strengthened Caterpillar's position in Spain by widening its supply base and taking control of Stet, Portugal's main supplier. Also, he says the 30 per cent of Finanzauto turnover in spare parts is significantly higher than the industry average for equipment distributors.

The sharp fall in Finanzauto profits – from Pta2.1bn in 1989 to Pta894m last year – may have irritated the markets, says Mr Barrow-Williams, but it is due solely to a dramatic collapse in construction activity in Spain as government efforts to slow down its booming economy have begun to bite.

Caterpillar's overall market share in Spain has fallen from about 23 to 20 per cent in the process, mainly because of poor sales of crawler excavators. This could be recovered as Caterpillar brings new models to the market.

Caterpillar's main rivals in Spain, notably JCB, have been hit even harder as sales of second-hand machines have plummeted. This is because sub-contractors, the main buyers of used equipment, have suffered worst of all from delayed payments in big state-financed projects.

With Madrid showing little sign of easing the tight monetary policies which have slowed down construction activity, Bibby clearly believes it is the right moment to try to buy Finanzauto. Baring Brothers, the Barlow/Bibby adviser in Madrid, was confident yesterday that it would have little trouble completing the takeover.

That is in spite of the fact that, even at Pta1,300, only Finanzauto shareholders who bought their stock after the middle of last year will make any money selling to Bibby. "You would have to look at what their chances would be of getting Pta1,300 in the future," said one Baring official in Madrid.

Therein may lie Bibby's biggest risk in Spanish takeover practices. Finanzauto's stockholders, are, in effect, being asked to cut and run. That may underestimate the capacity of Spaniards to hold on grimly to their investments until they make even the tiniest of profits.

Brown & Jackson plans to get back on firm financial footing

By Maggie Urry

BROWN & JACKSON, which operates the Poundstretcher chain of discount stores, yesterday announced a series of proposals which are designed to put it back on a firm financial basis.

It hopes to be able to pay a nominal dividend for the current year.

The shares rose from 7¼p to 9p.

A revolt by institutional shareholders last year led to the departure of Mr Bryan Duffy, the group's chairman and chief executive. A new management team was installed and Henry Ansbacher, the merchant bank, was appointed to undertake a review of the company's condition.

The group now plans to raise £15.6m through an open offer and placing, on a 1-for-1 basis at 7½p. It is to ask the Court for permission to reorganise the capital, which will cut the issued capital by £68m.

It is selling two subsidiaries, Advanced Technology Industries and A&G Imports, and concentrating on the core business. The sale of ATI will result in the cancellation of £10.8m worth of convertible preference shares.

Brown & Jackson also announced the appointment of Mr John Jackson as chairman. Mr Jackson is vice-chairman of Ladbroke Group, the leisure company, and holds a number of other non-executive posts.

The group also reported audited results for the nine months to September 30 1991, showing a pre-tax loss of £14.9m and a retained loss of £28.1m.

The estimated loss before tax for the full year was £7.3m and the retained loss £21.6m.

Adjusting for the effect of the proposals, the group's debt at September 30 would have been £15.8m and its net assets £19.5m.

The group also said it had agreed to pay £3m in settlement of a claim by the administrative receivers of Lowndes Queensway, the carpet and furniture retailer from which the Poundstretcher business was acquired.

$75m investment trust floated to specialise in Brazilian shares

By Philip Coggan, Personal Finance Editor

THE FIRST investment trust to specialise in Brazilian shares is being floated on the London main market via a placing. The appropriately named Brazilian Investment Trust is trying to raise $75m (£42.3m) from institutional investors.

Up to 75m shares are on offer in the form of 15m units of five shares with one warrant attached. Each unit is priced at $5.

The trust is being managed by Latin American Securities, which also manages Latin American Investment Trust, the top performing trust of 1991.

Latin American Securities is a subsidiary of Foreign & Colonial and it is hoped that the Brazilian trust will be available via F&C's regular savings plan in six to nine months' time.

Shares in Latin America surged in 1991 as economic reforms and democratisation swept the continent. Brazil has lagged slightly behind in this process and the economy is expected to show negligible growth in 1992. Nevertheless, its market rose 151 per cent, in dollar terms, last year.

Thew trust intends to invest in small and medium sized Brazilian companies, which are expected to benefit as the economy recovers.

NEWS DIGEST

McLaughlin & Harvey £5.4m loss

IN THE most difficult trading year in its history, McLaughlin & Harvey, the construction group, incurred a pre-tax loss of £5.4m and waived the dividend.

This followed losses of £4.9m at the half-way stage, when provisions of £4.05m were made for bad debts and write-down for construction work in progress.

The company said that conditions in the industry had worsened in the second half, but although further provisions had been made they were on a much reduced scale.

A number of cost saving initiatives had been set in train, including a rationalisation programme and the sales of property.

One high point was the performance of the division in Northern Ireland which continued to generate profit and increased its market share.

Mr Charles Denny, chairman, said that the division had secured a substantial workload this year. However, turnover in south-east England was expected to be diminished as the company was not prepared to accept work at negative margins.

Sales fell to £98.4m, against £110m in 1990 when there was a pre-tax loss of £727,000. Losses per share jumped from 11.6p to 80.3p.

The comparative figures have been restated following changes in its accounting policy.

T&N expands with Czech acquisition

T&N, the UK-based automotive components and engineering group, has acquired a majority stake in Osinek, Czechoslovakia's former state-owned monopoly producer of braking materials.

Osinek, based in the north-eastern region of Bohemia, produces brake linings and other friction materials for the automotive, rail, engineering and industrial sectors. It employs some 500 people and in 1991 produced turnover of some Kcs300m (£5.8m).

The purchase price was not disclosed but the company has undertaken to invest substantially in expanding and modernising the business.

Scottish Mortgage net assets at 173.7p

The net asset value per share of Scottish Mortgage & Trust was 173.7p at the March 31 year end, 0.8 per cent up on the 172.3p of a year earlier but 3.8 per cent down on the 180.7p at the half year.

Pre-tax profits were down from £21.8m to £20.8m and earnings fell marginally from 4.42p to 4.25p. The total dividend is increased from 3.7p to 3.9p with a proposed final of 2.6p.

Margins squeezed at Shiloh

Shiloh saw pre-tax profits dip from £659,383 to £502,782 over the 12 months to March 28 as recession affected its textile spinning, healthcare and packaging activities in the second half.

Turnover improved to £23.5m (£19m) reflecting three acquisitions.

Some 76 per cent of profit and 52 per cent of turnover emanated from the healthcare side, although pressure on margins and lower than budgeted activity prevented the group gaining full benefits from acquisitions.

Earnings per share eased to 5.82p (7.98p); a proposed final dividend of 1.875p brings the total for the year to 2.75p (2.625p).

Scottish Cities hit by takeover costs

Net asset value per share at Scottish Cities Investment Trust declined from 90.7p to 86.4p in a first-half dominated by the takeover in November of Anglo Scandinavian Investment Trust.

This was reflected by increased administration expenses and provision for the interest on its zero coupon debenture, met by transfer from capital reserves. Interest payable jumped from £131,000 to £536,000. Net revenue fell to £42,000 (£365,000).

The interim dividend is unchanged at 0.9p (after adjusting for scrip issues) on earnings per share of 0.1p (1.1p restated).

Blick pays £3.8m for contracts from GPT

Blick, which sells, rents and maintains communications equipment, has purchased a portfolio of contracts for rental and maintenance from GPT, a company jointly owned by GEC and Siemens, for £3.8m cash.

Of the consideration £2.5m was immediate and the balance is payable as to £650,000 on November 4 1992 and £650,000 on April 20 1993.

Majedie net asset value at 341p

Majedie Investments reported a net asset value of 341p at March 31. This marked a modest decline from 348p at the trust's year-end in September, but was unchanged on the interim stage of 1991.

Net revenue for the six months to end-March amounted to £1.15m (£1.19m), equal to earnings of 4.38p (4.51p) per share. The interim dividend is maintained at 2.5p.

Private functions, public concerns

Roland Rudd charts how Lonrho came to strike a deal with Libya

MR ADNAN Khashoggi, the Saudi Arabian financier, never does things by halves. The venue he chose for the first meeting between Mr Tiny Rowland, Lonrho's chief executive, and representatives of Libya's Colonel Muammer Gadaffi was Paris' fashionable Restaurant Laurent.

On Thursday November 21 1991, Mr Rowland, accompanied by Mr Robin Whitten, a Lonrho director, joined Mr Khashoggi and a group of other businessmen at a table booked for 20 people at the restaurant. The others included: Mr Reda Alaywan, a Lebanese businessmen; a Libyan based in Paris who asked not to be identified; and Mr Mousdafa Zouhde, head of the African operations of the Libyan Arab Foreign Investment Company (Lafico), Libya's state-owned overseas investment arm.

The Libyans were seeking ways of investing in western companies; Mr Khashoggi thought Lonrho, with its long history of close relations with governments in sub-Saharan Africa, might be the perfect partner.

At the lunch, the conversation centred on one thing: how Lafico and Lonrho could "mutually work for their best interests", according to one participant.

Less than five months later, the discussions over that Paris lunch table had led to a £170m deal to make the Libyans partners in one of Lonrho's hotel chains.

There was to be one other consequence: yesterday, the US administration revealed it was investigating the relationship between Libya and Lonrho – an investigation which might lead to Mr Rowland's company being blacklisted in the US.

All that was still in the future when the idea of the lunch was first hatched by Mr Khashoggi and Mr Alaywan in September. That month, the two men signed a joint venture agreement and established a joint company named Kadir, based in the British Virgin Islands, with its registered office at PO Box 3136, Road Town, Tortola, to exploit what they perceived as Lafico's desire to expand in the West.

Mr Alaywan and Mr Khashoggi were natural partners. The former had extensive contacts with Lafico – he was already acting as an intermediary between Lafico and the president of a chain of French hotels, for example. Mr Khashoggi had excellent western contacts with potential partners and a formidable reputation as a broker of deals between westerners and Arab governments during the oil boom of the 1970s and early 1980s.

In October Mr Khashoggi approached Mr Rowland about possibly doing business with the Libyans.

Lonrho had just completed one of its most disappointing financial years. Pre-tax profits had fallen by 24 per cent to £207m, the final dividend was about be slashed and the balance sheet was looking weak as net debt rose to over £1bn.

On October 18 Mr Rowland wrote to Mr Mohamed Ali El Huwej, Lafico's chairman, saying how pleased he was to learn from Mr Khashoggi of Lafico's interests in expanding its involvement in hotels. He welcomed the opportunity of discussing how the two could collaborate.

Ten days later Mr Ali El Huwej wrote back to Mr Rowland expressing Lafico's "willingness [for the] highest collaborations in the involvement in your group's activities, namely the hotels chain, agriculture and any other field we find with interest".

Mr Ali El Huwej's letter underlined the importance Lafico attached to signing joint ventures with western companies. He revealed that Lafico had more than 80 joint ventures across five continents.

The lunch followed. During the discussions, Lonrho's UK-based Metropole Hotels chain was identified as the first of many Lonrho businesses ripe for Libyan involvement, said one of those present. A further meeting to talk about the details of the deal was fixed for February in Geneva.

As 1991 drew to a close, Lonrho's internal accountants and lawyers were ordered to produce a report on Lafico's western interests, according to one of the people who worked on the project. He added that Mr Rowland found the report's conclusions satisfactory.

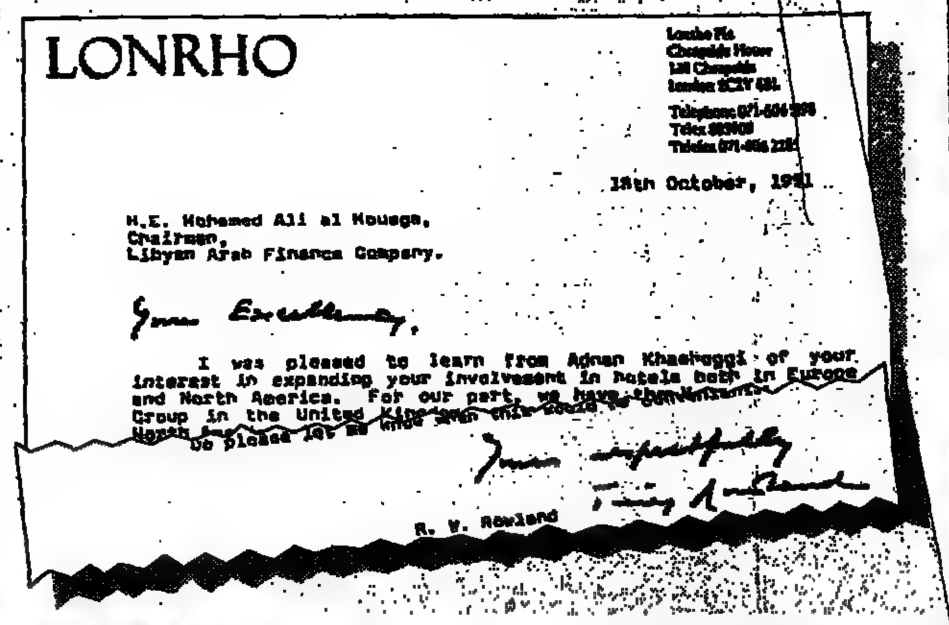
The second meeting between Lonrho and Lafico was held in Geneva on February 4 and 5 to hammer out the price for a one third stake in Metropole Hotels. This time Mr Rowland was accompanied by Mr Robert Dunlop, his joint deputy chairman, while Lafico was represented by Mr Ali El Huwej.

One of the participants at the Geneva meeting said that the £177m price for the stake in Metropole was agreed fairly quickly. The money was then transferred to Lonrho the day before the deal was announced on March 26. Although Lonrho had got its cash, the relationship with Libya left investors unhappy. The share price later fell to 65½p, its lowest level since January 1984 and well below the 250p it reached as recently as last November. It closed yesterday at 106p.

Investors were not the only people left unhappy. Mr Alaywan had understood that a commission of 10 per cent, or £17.6m would be paid to the three intermediaries. In the event, he says, Mr Khashoggi said Mr Rowland would only pay 1 per cent. Mr Alaywan subsequently wrote to Mr Rowland asking him for the commission, but says he has not heard from Lonrho.

Relations between Lafico and Lonrho, however, remained smooth. Much time in Geneva was devoted to exploring what other joint deals the two might do in the future. As Mr Alaywan put it: "This was the first of many deals."

But yesterday's news that Lonrho's Libyan dealings have triggered an investigation of the company by the US Treasury Department's Office of Foreign Asset Control (OFAC) shows the price that Mr Rowland might have to pay for dealing with Lafico. There is now a real possibility that Lonrho could be placed on the US government's list of banned companies.


LONRHO

18th October, 1991

H.E. Mohamed Ali el Houega,
Chairman,
Libyan Arab Finance Company.

Your Excellency,

I was pleased to learn from Adnan Khashoggi of your interest in expanding your involvement in hotels both in Europe and North America. For our part, we have the ... Group in the United ...

R. W. Rowland

They say life is a lunch. In this case the meeting of Mr Tiny Rowland (top) and Mr Adnan Khashogi (centre) brought about a closer tie between the Middle East and Europe. The venue was the Restaurant Laurent, o of the most fashionable eating places in Paris. It enjoys a two star Michelin rating. Pictured bottom is Rober unlop.

Villagers call banks to account

Richard Donkin on the blight on Chiddingfold

CHIDDINGFOLD is one of those pantiled Surrey villages you used to pass through on the way to the south coast in the days before motorways and foreign holidays.

The children on the back seat of the car, uncontrolled by safety belts, would push their noses against the glass and shout: "Oo, isn't this lovely. Can we stop and feed the ducks dad?" And father would look down at his watch, then up at the half-timbered pub overlooking the village green and the pond and think: "why not?"

He might have popped into the Lloyds bank next door and topped up his holiday money. A few doors further along the green he would have found the NatWest and the Midland. The sign of the black horse hung fittingly across from the old forge where horses were being shod as late as 1950.

The forge survives, along with the butcher, the baker, the grocery store, the newsagent and the chemist.

Chiddingfold is a healthy village of about 3,000 people but trade has suffered in the 13 months since the sign of the black horse was replaced by an estate agent's board.

NatWest was the first to leave about 18 months ago. Then the Midland went and Lloyds closed its doors about a year ago. In 1609 a pestilence hit the village, claiming 50 souls in quick succession. It was as if nearly 400 years later the banks had fallen to another disease.

Mr David Wright, the blacksmith, believes the affliction had a foreign origin. "All those bankers went down to Mexico, drank a lot of tequila, and lent them too much money. Now we're paying for it," he said.

"Lloyds sent us a letter saying 'We are closing this branch so that we can improve your quality of service.' I have it somewhere. It was worth keeping."

Sir Jeremy Morse, Lloyds chairman, this week cited Chiddingfold as an example of how a bank merger could prevent what he called disorderly attrition. When he said it was "an absolute nonsense" that "poor Chiddingfold" had no bank branches, the locals found his statement somewhat ironic given that Lloyds had been the last bank to go.

"They told us they would not leave the village, so many people transferred their business to Lloyds. It was doing so well, and we still cannot understand why it has closed," said Mrs Susan Rose, who runs the newsagent's shop with her husband Brian.

The banks were run as sub-branches of larger branches in Godalming, eight miles away. They opened up on three days a week, 10am to 2pm Monday, Wednesday and Friday. "Of course all three branches opened the same days and hours. They didn't stagger the hours," said Mrs Rose.

The Roses organised a petition which failed to move Lloyds, nor could they interest the bank in the idea of running a cash machine in their shop. They suggested a mobile bank, or the banks getting together and sharing the same premises, but the villagers ultimately had to settle for the only option left to them – to drive into Godalming or Haslemere.

"This place really used to buzz on a Friday. All the farmers used to come here to the bank and buy their Farmers' Weekly at our shop. They don't come now," said Mr Rose.

All the traders said their businesses had suffered because people would often combine their trip to the bank in Godalming with doing their shopping. Mr Reg Young, the butcher, said he had seen his trade drop by 40 per cent since the banks went. "I had seven staff then. Now I have three," he said.

One of the biggest complaints is the outlay necessary for villagers to get at their money. The return bus fare to Godalming is £2.20 and a new parking scheme charges 40p for all on-street parking. "It takes an hour of my time and costs me 40p plus petrol, every time I go the Midland Bank in Godalming," said Mr Young.

Sir Jeremy appears to have re-ignited a militant streak among the villagers that has lain dormant since 1929 when they threw the village police sergeant into the pond, accusing him of burning down their annual bonfire before the celebrations on November 5. Some 200 policemen were summoned and lined up on the green. It was the last time they read the riot act on English soil.

Beneath the Jaeger sweaters and the Harris tweed jackets the sinews are stiffening once more. "It's killing village life," said Ray Bastable, the travelling fishmonger who has to increase the size of his float when he comes into the village. "Nobody has any change," he said.

Villagers are helped by a friendly service from some of the shops. "You can cash a cheque for £50 at the Co-op when you buy goods there. They are very good for doing that," said Mrs Thelma Lane.

Another saviour is the Post Office, which offers free banking with Girobank but it costs £2.50 to cash a cheque from one of the clearers there.

No-one in Chiddingfold, it seems, quite understands why every clearer had to leave. Lloyds said yesterday that no decision to close branches was taken without "an awful lot of thought and regret."

It said the Chiddingfold branch had about 200 customers when it closed and had been unviable.

Chiddingford used to buzz on a Friday with farmers coming to bank Tony Andrews

Cost savings dictate bank mergers in US

THE PROPOSED merger of Lloyds Bank and Midland Bank could become a nightmare for thousands of workers who might face redundancies, but in cost terms it could prove an extremely efficient method of rationalising bloated branch networks.

That, at least, appears to be the initial lesson to be drawn from the experience of two of the three large-scale bank mergers that have been agreed over the past year in the United States.

The two mergers that bear comparison are the joining of the Bank of America and Security Pacific in California and of Chemical Bank and Manufacturers Hanover Trust in New York.

These two mergers, which resulted in the creation of the second and third biggest banks in the US in asset terms, were both known as "in-market" transactions, combining competitors in the same markets – as opposed to an "across-market" deal, such as the merger last year of the North Carolina-based NCNB and the Georgia-based C&S/Sovran.

In UK terms, a Lloyds-Midland link would be the in-market deal, with Hong Kong and Shanghai's bid for Midland clearly representing the across-market transaction.

Although initially greeted with scepticism, in-market deals are fast gaining favour in the US.

The cost savings that can be achieved are, in fact, beginning to outstrip earlier expectations.

Chemical Banking, as the newly combined Manny Hanny/Chemical institution is called, has said it expected to save $750m of annual costs over the next three years.

This is to be accomplished by cuts across the board, but with a special focus on administrative and other "back office" expenses.

By the end of this year, Chemical should have managed more than $225m of its cuts, and some analysts reckon its eventual savings will exceed its $750m target by $100m to $150m a year.

In staff terms, Chemical aims to shed 6,200 jobs out of its combined starting workforce of more than 43,000. By March 31 of this year – only three months after the merger was completed – Chemical had already cut 2,500 jobs.

As the third largest US bank, with $136bn of assets, Chemical is well positioned to take advantage of future interstate branching possibilities, assuming the laws are eventually relaxed.

Most of its branch closures are within the New York state area, with a target of 80 branches out of 430 to be consolidated.

In San Francisco, the Bank of America, which is effectively launching a rescue of the much weakened Security Pacific of Los Angeles, is also likely to achieve significant cost cuts because of the merger.

The present forecast is for $1.2bn of annual savings by 1995, with some 10,000 to 12,000 of the combined bank's 91,000 jobs being eliminated.

Bank of America needs to sell off 188 branches just to conform to federal anti-trust guidelines. However, it is likely to close hundreds more as it integrates its branch network with that of SecPac in California and other Western states.

The in-market nature of the Bank of America/SecPac union is more broadly regional than the Chemical Banking case, where the two banks involved in the merger were literally housed in buildings that faced each other across Park Avenue.

But with $180bn of total assets and a position as the second biggest US bank after Citicorp, the new Bank of America should also emerge in a strong position for future national growth.

Mr Lew Coleman, vice-chairman of Bank of America, recently described mergers as "the only viable option" to eliminate overcapacity in the US banking industry at a time when legislative reform has been stuck in Congress and regulatory relief has been largely unavailable.

It is less clear that the creation of Nations Bank out of NCNB and C&S/Sovran was the only solution for these Southeastern banks.

The $4.6bn NationsBank deal, which created a regional bank with $110bn in assets and a position as the fifth biggest in the US, was an across-market deal that seemed less urgent.

The merger was, however, a personal triumph for Mr Hugh McColl, the expansive chairman whose ambitions go beyond his native region.

Even if the creation of NationsBank had a touch more empire building than the other deals, it is positioned to save on costs.

Some 9,000 jobs – out of 60,000 – are to be eliminated by 1994 and annual cost savings are now being estimated at 50m.

A look at these three US bank mergers suggests that the larger cost savings are being achieved where the institutions are geographically closer together.

That makes sense, but bankers note there is an important caveat concerning in-market transactions. While the elimination of duplication in branch, staffing and administrative costs may be attractive, the putting together of two banks in the same area may also result in a larger pile of bad debts from similar clients.

The bad debt issue is especially relevant in New York, where commercial real estate loan losses have been severe. However, Lloyds and Midland will almost certainly have some overlapping company lending in the bad debt category.

Bank mergers are nonetheless now considered a practical tool in the US market, and predictions from bankers and top regulators suggest that by the year 2000 America's 12,000 banks may be whittled down to as few as 5,000 to 6,000 institutions.

More than anything else, cost saving is driving the trend.

Alan Friedman

TUC chief calls for referral

MR NORMAN Willis, general secretary of the Trades Union Congress, yesterday added his voice to calls by trade unions that the proposed £3.7m bid for Midland Bank by Lloyds should be referred to the Monopolies and Mergers Commission.

In a letter to Mr Michael Heseltine, the trade and industry secretary, Mr Willis said the proposed merger had important implications for competition and service provision in private and business banking.

He said it was reported that a merged bank would control 80 per cent of all lending to medium-sized and small businesses, an area where banks were already under criticism for their lending practices.

An emergency motion condemning the bid, with the feared loss of 20,000 jobs and the closure of 1,000 branches, was passed unanimously by delegates at the Wales TUC annual conference yesterday.

Mr Leif Mills, general secretary of Bifu, the banking union, said industrial action would be considered if the merger went ahead.

He accused Lloyds of a "deafening silence" over what benefits to customers would follow such a move. He claimed the only reason behind the plan was to create advantages for those who manipulated the money market.

Lisa Wood

Smaller companies look to foreign bodies for improved choice and service

THE PROSPECT of Britain's "big-four" clearing banks becoming only three if Lloyds goes ahead with a successful bid for Midland has prompted small business owners and their organisations to consider the attractions of banking with a foreign owned bank.

Few UK small businesses know much about how Hongkong and Shanghai Banking Corporation treats its customers. But organisations such as the Forum of Private Business, with 19,000 members, believe a successful bid from the Honkong Bank would inject a new vitality into a jaded UK banking market.

A takeover by Lloyds, in contrast, would merely strengthen attitudes to dealing with small business clients which were implicitly criticised last year when the government insisted on the banks introducing codes of conduct for dealing with their customers.

"Small businesses need more choice not less," said Mr Stan Mendham, chief executive of the forum. "As they emerge from recession they need financial stability which should come from a more diverse banking system."

The ideal outcome for the forum would be for the Hongkong Bank to acquire Midland leaving Lloyds free to establish links with a continental European bank.

"Either combination would bring new attitudes, principles and capital," said Mr Mendham.

There is a possibility of overseas banks moving into the UK corporate market, according to Mr David Burton, a partner in The Centre for Consultancy (Surrey) which advises businesses on their banking relationships. "I think sentiment would be very open to their coming in."

Continental banks are seen as having closer and more long-term relationships with their business customers.

British banks have traditionally emphasised the importance of deposit protection, whereas banks on the Continent and in Japan see themselves more as intermediaries between sources of finance and business, according to Mr Martin Binks, a Nottingham University researcher who has studied the banks' relations with small businesses.

This has led to British banks basing lending on the amount of capital already in the business. Overseas banks are more willing to relate lending to present and future income.

But are the continental banks really that much closer to their smaller customers?

Many of the direct shareholdings in industry held by the German banks were acquired immediately after the Second World War to prevent large companies failing. National Westminster Bank has commissioned a study of the equity holdings of the German banks to see whether they really are more supportive of small business.

British small business organisations also point to the US banking system where there are many very small local banks. As small businesses themselves these banks are closer to their smaller customers and can understand their needs better, the argument goes. Small banks are however more prone to failure, as the annual US banking closure statistics show.

The weakness of the small businesses argument in favour of more foreign competition in the UK market is that so far no continental European or US bank has established a long term presence in the small and medium-sized business market.

The Americans in particular are noted for expanding into attractive business sectors and then withdrawing rapidly when head office policy changes or business conditions deteriorate. Citibank, for example, began to establish a regional network but closed them soon afterwards.

"A lot of the foreign banks have withdrawn from these markets," said Mr Simon Whitney-Long, a partner of the Bank Relationship Consultancy. "Some believe they will be expanding again in six months but that is not a lot of help to small business now."

Overseas banks will also have to overcome the problem of providing a personal service to small and medium-sized business clients from a very limited branch network or from a single office in London.

A common complaint about the large UK clearers, which do have extensive branch networks, is that they are still too remote from the concerns of their small business customers.

The success of Midland Bank's First Direct operation, where personal clients do their banking on the phone, has prompted some banking consultants to wonder whether small business clients might also be willing to do business in this way. This might provide an opening for a non-UK bank without a large network.

There are many obstacles to be overcome before an overseas bank could establish itself as a friend of small business in the UK. At the moment, though, the continental banks and the smaller UK banks have the advantage of a good name with their small business customers.

This is partly because they are able to provide a more personal service to their smaller number of customers and partly because, since their market share is small, they rarely show up in the surveys which have revealed dissatisfaction with the larger banks.

But the symbolism of one large UK bank offering £3.6bn for another at a time when businessmen and women are having difficulty negotiating a £10,000 overdraft with their bank manager is not lost on the small business community.

Charles Batchelor

THE PROPERTY MARKET

Investment rules are being rewritten

By Vanessa Houlder

The UK property industry is still firmly in the grip of one of the worst recessions it has ever experienced. Yet, paradoxically, many experts think that the case for buying property has rarely been better.

"Our forecasts suggest that 1992-93 may represent a classic purchasing opportunity, with the benefit of hindsight," says Jones Lang Wootton, the chartered surveyor.

"Our expectation is that the worst is over," says Mr Rupert Nabarro of Investment Property Databank, a research group. "There may be strong arguments to support returning to the market."

The nub of his argument is that yields for commercial property have never stood so high, returns in other types of investment, such as gilts, are not promising, and there is little competition from property companies or foreign investors to bid up the prices of property.

However, institutions should beware of smugness, says Mr Nabarro. Most of the good quality buildings that flooded the market during the boom period in the mid-1980s are not in institutional funds. "To maintain the quality of your estates you will need these buildings," he says.

A strong case for renewed property investment is also being made at a time when the discipline of the exchange rate mechanism of the European Monetary System is provoking some hard thinking about the merits of gilts and equities.

If high real interest rates are here to stay, profits may come under pressure and fund managers could regret their heavy emphasis on equities. But investors have to consider the possibility of a return to inflation (if, say, the prospects for European monetary union collapsed and sterling was devalued), in which case gilts would have difficulty in holding their own.

In such a scenario, property could be an attractive way of hedging investors' bets. If inflation falls, the real value of income from property will appreciate in value. If inflation rises, the impact will be mitigated by higher growth in rents.

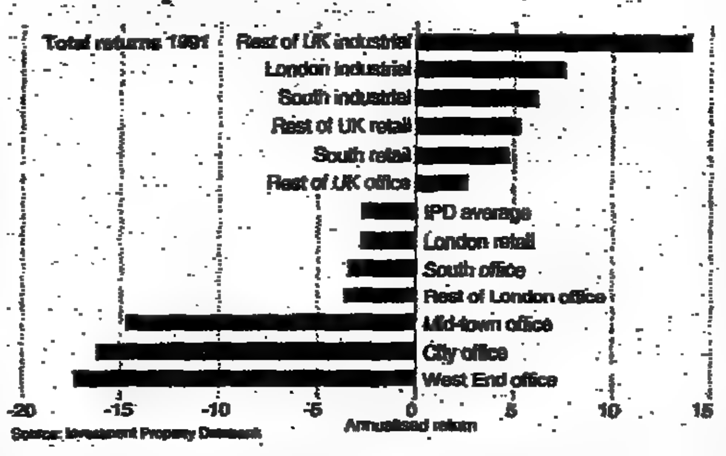
> 'Our expectation is that the worst is over. There may be strong arguments to support returning to the market'

The problem with assessing these arguments is that it is extremely difficult to generalise about the state of the market. The pain of the property recession is still very unevenly spread.

The portfolios of institutional investors have "extraordinary strength" says IPD's Mr Nabarro: these portfolios boast secure leases, low vacancies and include few developments in hand. By contrast, most of the quoted property companies are over-borrowed and too focused on London. The state of many private property developers – and the banks which lent to them – is even worse.

At the same time, the property market has splintered into separate tiers governed by location, quality of tenant and length of lease. The returns measured by IPD for 1991 show the greatest contrasts since it began records, ranging from -10.1 per cent for offices to +8 per cent for industrial property.

Record spread of returns



Source: Investment Property Databank

The problem for the property industry is that new demand is concentrated on top quality property which accounts for just 15 per cent of the total market. Institutions are playing it safe and pursuing properties with long leases and good covenants. The demand for this select group of property outstrips supply; competition has already significantly driven up prices.

Outside this narrow band of property, enthusiasm is still weak. The mood of property agents is very depressed. The prospects for the office market in London and the south-east, which accounts for a high proportion of the total market's value, are too poor to allow talk of any broadly-based recovery in the property market.

Savills, the chartered surveyor, said this week that rents across the market would not begin to rise until the end of 1994. That sent property shares into a spin, even though Savills thinks that values have stabilised as a result of some hardening in yields.

Total returns will reach 5 per cent this year, it believes. If rents have stopped increasing, investors will get little comfort from the rise in property yields to a level where they have converged with gilt yields. Investors demand a premium of between 1 per cent and 4 per cent for property to compensate for the disadvantages of management costs, illiquidity, obsolescence and risk of default. Where rents are still falling and there is no reason to expect yields to harden, the case for property is an unconvincing one.

Another reminder of the fundamental problems of the sector was provided by County NatWest, the merchant bank, this week, in a report which raised doubts about the willingness of overseas lenders to continue to support the market, in the face of severe domestic problems, particularly in the Japanese market.

"At best, the negative effect may be restricted to an unwillingness to refinance loans in the UK market; at worst, it may prompt the calling in of existing loans and the liquidation of property assets, with dire consequences for the UK (and global) property markets," it said.

Even leaving aside the huge variations in different parts of the market, making predictions about its future behaviour is a complicated matter. Not only have changed expectations about inflation reduced the value of the market's past behaviour as a guide to the future, but the market's past behaviour often defied conventional wisdom.

The relationship of property yields to gilt yields and rental movements is one example of this. Contrary to common belief in the industry, there is little correlation between property yields and rental movements or property yields and gilt movements, when the figures for the past 20 years are examined.

"One of the greatest myths in the property sector is that property share prices respond positively to changes in interest rates," says Mr John Atkins at UBS Phillips & Drew, the securities house.

Similarly, there is no evidence that yields move in anticipation of changes in rental values, he says.

> 'One of the greatest myths is that property share prices respond positively to changes in interest rates'

"Indeed, property yields have often moved in exactly the opposite direction. Increases in investment usually occur, for example, in response to, rather than in anticipation of, periods of above average rental growth," says UBS Phillips & Drew.

As yet, it is unclear what impact the growth of property research over the past decade will have on investors' ability to anticipate periods of rental growth.

The uncertainties facing the market do not end with the behaviour of investors or expectations about inflation and growth. For example, the question of whether tenants should continue to be responsible for leases they have assigned is under review and could have profound implications for the investment market.

Investors plunging into the market can also comfort themselves in the belief that counter-cyclical investors win through in the long run. According to research by Jones Lang Wootton, "the best long term returns have been achieved by concentrating purchasing activity in periods when real estate returns are declining and avoiding purchasing in periods when they are peaking."

But the real rewards of property investment undoubtably depend on an examination of tenant, lease and sector. Extrapolating last year's results may be hazardous. For instance, Savills believes that the recession has caught up with industrial property, which will give way to retail property as the industry's best performing sector.

Nonetheless, IPD believes that the lessons of 1991 may give an indication of the running order as the sector pulls out of recession. Prime buildings, strong tenants, the provinces, industrials and out-of-town property were all "in" in 1991 while London was clearly "out", it says. Anything that was old, secondary, high yielding, facing a lease expiry or concerned with offices should have carried a warning to tread carefully.

The rules of property investment are being rewritten, according to IPD. "1991 may mark a new turning point in property investment," it says.

Property Investors Digest, available price £2,500, from the Investment Property Databank, 7/8 Greenland Place, London NW1 OAP.
Property; An Essay on Finance, County NatWest, 135 Bishopsgate, London EC2M 3XT. Price on application.

INTERNATIONAL PROPERTY

CONTRACTS & TENDERS

COMMODITIES AND AGRICULTURE

Differences remain on cocoa price stabilisation

By Frances Williams in Geneva

COCOA PRODUCING and consuming countries will today wrap up the first round of negotiations on a new international cocoa accord without any formal agreement on the main issue dividing the two sides, the nature of measures needed to stabilise prices, which are at the lowest level for 16½ years.

However, officials said the export quota system favoured by African producers was not a runner because consumer countries had made clear at a meeting of the International Cocoa Organisation in London that it was unacceptable.

Though the Africans, led by the Ivory Coast, which produces one-third of the world's cocoa, have yet to withdraw their proposals, officials said export quotas had scarcely been discussed during the past two weeks of talks. Most attention had been devoted to refining consumer country proposals for an export withholding and production management scheme.

"Producers are anxious to have an agreement at almost any price," one official said, predicting that export quotas would not survive to the next round of talks on the new pact scheduled for July 6-24, also in Geneva.

The present International Cocoa Agreement, which has a buffer stock mechanism as its principal means of influencing prices, expires in September next year.

The talks, involving 18 producing and 22 consuming nations accounting for about three-quarters of world production and consumption, are taking place against the gloomy background of plunging cocoa prices, chronic oversupply and unprecedentedly high stock levels. Consuming countries argue that export quotas would not impose sufficient restraints on total production, needed to bring supply and demand into better balance.

Under the export withholding proposals, producers would be obliged to store surplus cocoa when prices were falling and release it when they were rising. But export withholding would be coupled with a "production management scheme", under which each producer would have an output quota.

Producers dislike output quotas on sovereignty grounds because they constrain domestic production decisions. They are also worried by the possible expense of withholding exports. While the detailed sums have yet to be done, one major producer calculates that the cocoa price would have to rise by $300-$400 a tonne to finance the scheme. Brazil, which has taken considerable steps to increase domestic demand in recent years, is also anxious not to be penalised on that account.

The other major issue, though barely touched on in this first round of talks, is what to do with the present cocoa buffer stock of about 240,000 tonnes. Some countries, notably Brazil, are anxious to find ways of gradually releasing the stock, which they believe depresses the market by its mere existence. Others would prefer to sit tight, so as not to exacerbate the existing glut.

Operation of the current cocoa agreement, which dates from 1986, has been hampered by the US, the world's biggest consumer, deciding not to join, and similar decisions by Malaysia and Indonesia, the fourth and eighth biggest producers. There is now some prospect that the East Asians could agree to involvement in a successor accord but the US has said it is not interested in any pact with price stabilisation provisions.

Waste problem delays smelter sale

By Kenneth Gooding, Mining Correspondent

PASMINCO, THE Australian metals group, is deferring the sale of its half share in the Budel smelter in the Netherlands, which produces about 5 per cent of the western world's zinc requirements.

The Budel stake was put up for sale in March when Pasminco decided to dispose of all its European assets. These also include the Avonmouth lead-zinc smelter in the UK.

However, the future of the Budel plant, which has Billiton, the metals arm of the Royal Dutch/Shell group as its other joint owner, has been under a cloud for some time because it is running out of space to store cadmium-containing hazardous waste called jarosite. The management says a decision must be made within months about a Fl 400m (£130m) scheme to process the jarosite or the smelter may have to close.

Pasminco said yesterday that the Budel sale had been deferred "pending the outcome of current discussions with the Dutch authorities in relation to the disposal of the waste material jarosite from the Budelco operation.

"As has been previously announced, these discussions have been under way for some years and, while the outcome is uncertain, the discussions are now reaching an advanced stage with a view to developing a solution which is acceptable to all parties."

Pasminco's production report yesterday showed Budelco produce 54,344 tonnes of zinc in the first quarter this year, up from 52,646 in the same months of 1991. Avonmouth produced 25,249 tonnes of zinc and 10,409 tonnes of lead up from 23,173 tonnes and 10,182 tonnes.

PNG Lihir gold licence extended

By Kenneth Gooding

PAPUA NEW Guinea's government has extended for another two years the prospecting licence covering the Lihir Island project, one of the biggest known gold deposits outside South Africa, as long as the joint venturers "take all reasonable steps necessary" to start mine construction by the end of this year.

The PNG government also wants negotiations about a mining development contract completed by October 31, reported Niugini Mining, a subsidiary of Battle Mountain Gold of the US, which owns 20 per cent of the Lihir project.

RTZ, the world's biggest mining company, which has the other 80 per cent, said that discussions were continuing with the PNG government but might be complicated by the June general election.

In March a $767m proposal was submitted for treatment of an annual 1.53m tonnes of ore for the production of 620,000 troy ounces of gold for the first 12 years and an average of 370,000 ounces over the project's 31-year life.

Niugini's breakdown of the capital costs shows process facilities accounting for US$188m, mining equipment and facilities $98m and infrastructure $99m. Full operating costs would be $248.75 an ounce for the first five years and $274 over the mine's life.

Optimism on demand boosts oil price

By Deborah Hargreaves

OIL PRICES moved ahead again yesterday after edging upwards for most of the week as traders began to take a more optimistic view of oil demand.

North Sea Brent crude oil for June delivery rose by 47½ cents to $19.67½ a barrel and traders said there were few signs of it weakening.

The market was strengthened earlier this week when two Norwegian shipping unions went on strike. The industrial action was short-lived and had no effect on oil deliveries, but nevertheless lent some strength to oil prices.

Mr Peter Gignoux, head of the energy desk at Smith Barney in London said there had been some strong buying from oil refiners in the US. "The second quarter is providing shopping opportunities for those who like to line up barrels for later in the year: when the market started to run, they thought they'd better buy or miss the boat."

Some traders say they are expecting higher oil demand than forecast, particularly in the US, amid signs that the world economy is tentatively picking up.

Ministers from the Organisation of Petroleum Exporting Countries last Friday agreed to stick to their production ceiling of some 23m barrels a day. They stressed their intention of getting all members to cut output as agreed in February.

The Opec agreement set a slightly firmer tone for the market but traders say it was not a major factor in pushing up prices. In New York, June futures prices edged up from $20.77 a barrel to $20.85 a barrel in late trading.

African maize needs 'up 75%'

DROUGHT IN Africa will force the continent's imports of maize to more than 11m tonnes in 1992-93 from a projected 6.3m tonnes in 1991-91 and 4.3m tonnes in the previous season, according to the International Wheat Council's latest market report, writes Our Commodities Staff.

South Africa, Zimbabwe and Zambia, which normally export to neighbouring countries, have been forced to import.

The IWC expects the former Soviet Union's wheat crop to rise by 14.5m tonnes to 98m in 1992, still well below 1990's 108m tonne crop.

Reform puts body into Cape wine industry

Philip Gawith on trends towards quality and export marketing

THE ANNOUNCEMENT last month of the abolition of the notorious quota system in the South African wine industry was only the latest symptom of an industry, literally, in a state of ferment.

With South Africa's political isolation now over, local winemakers are anxious to reclaim the Cape's status as one of the world's leading wine-growing regions. During the 18th and 19th centuries Constantia desert wines were favoured by the European nobility, being drunk by Napoleon, Frederick the Great and Metternich, and written about by Dickens and Jane Austen.

Mr John Platter, South Africa's best known wine writer, wrote recently of the "abandon and exuberance everywhere in the winelands", adding that "not since Constantia (a wine growing area just outside Cape Town) has the Cape grown such magnificent wines".

The present ferment in the industry has three main strands: reform of the institutional framework, the opening of world markets and the entry into the industry of a new class of professional winemaker. Considerable further impetus is being provided by the political reform process under way in the country since early 1990.

At the marketing end of the industry, the return of South African wines to the world's shelves is a wonderful opportunity – literally, a relaunch of the country's wines. Mr Platter notes: "We're slightly sexy at the moment. The world is quite curious about us".

The initial reception has been good. Supermarkets, which account for the bulk of wine sales in the UK, are restocking South African wines, and wine merchants are scouring estates for good wines to add to their lists. For the first time in many years major South African wine-tastings are being held on both sides of the Atlantic.

On the quality front, experts agree there is no doubt that South Africa can make good wines. Mr Simon Loftus of Adnams, the respected Suffolk wine merchant, which for many years refused to stock South African wines, says that although the wines are not universally up to international standards, "the best South African wines are exceptional".

The relaunch of South Africa's wines raises two issues: what sort of wines should South Africa be trying to make, and what sort of image should it be trying to project. Many international observers think South Africa should concentrate on trying to make a good Pinotage, a red wine cultivar distinctive to South Africa. South African producers, however, seem intent on competing head on with classical-style French wines, like Chardonnay and Pinot Noir.

As to image, the shining example of the successful export of an agricultural product from South Africa is right on the wine industry's doorstep – the deciduous fruit industry. The unrelenting focus on quality is something with which the Cape brand name has become synonymous. Wine makers need to ensure that they do not jeopardise the achievement of a premium reputation by selling too much cheap wine.

The KWV, the big producer co-operative that supervises the running of the wine industry has traditionally been by far South Africa's largest wine exporter. Mr Jannie Retief, international marketing manager at the KWV, says it has made tremendous progress since the easing of South Africa's isolation. Branded natural wine exports rose by 46.2 per cent in 1991, albeit from a low base. The KWV's target is to sell 1m cases a year into the UK by 1995. Sales are currently about half that level.

Also boosting the export effort is a new initiative launched by Unifruco, the export marketing arm of the deciduous fruit industry. Vinfruco is a joint venture between Unifruco and a consortium of co-operative wineries and independent estates in the Stellenbosch region. It has launched a range of wines that will be aimed at the supermarket trade. Smaller independent growers are also targeting the export markets. Mr Tim Hamilton Russell, one of the country's leading producers, says he plans to export about 30 per cent of his annual production of 17,000 bottles.

Insofar as South Africa does manage to produce quality wines, it is in spite of the regulatory framework which controls the industry. Basically, the industry has two tiers, with only about 2 per cent of the 5,000 producers actually making wine. The rest are commodity grape growers, concerned primarily with growing the highest yielding cultivars they can find. About 85 per cent of the crop is crushed at co-operative cellars. "It is the total antithesis of what you do if you want to make a quality wine," says Mr Hamilton Russell.

Only 2 per cent of grape growers actually make wine. The rest are concerned mainly with maximising yields.

Against this background, the announcement last month by the KWV that it was scrapping quota requirements was a very significant development that has certainly enhanced the country's prospects of producing good wines. The KWV has long functioned as a sort of trade union favouring the interests of commodity growers. This latest decision, however, is likely to be of advantage only to those at the top of the industry. Apart from lowering the value of existing farms, new entrants are only likely at the quality end.

Previously anybody wanting to make and sell wine had to have a quota, which attached to certain land. This presented a considerable – sometimes absolute – barrier to entry: buying quotas was very expensive, and if there were no quotas available in the district where you wanted to farm, then the aspiring grower simply had to look elsewhere.

Despite the latest initiative, the industry has some way to go before it is free. The KWV still operates a minimum price mechanism that is little more than a subsidy wine drinkers must pay to keep inefficient grape growers on the land. And Mr Hamilton Russell, a leading critic of the KWV, was recently prosecuted for unauthorised use of French terms – such as Burgundy and Bordeaux – to describe his wines. The prosecution was in terms of an arcane agreement between South Africa and France whereby the French would buy South Africa's grape [illegible] if South Africa refrained from using certain French names.

Allied to the slow trend towards liberalisation in the industry is the entry of a new generation of winemaker – those like Mr Hamilton Russell who have come to the industry through the glass rather than the soil, as he puts it. It describes these people, who have featured prominently in the development of the Californian and Australian wine industries, as wealthy individuals, seeking "second order" activities and committed to excellence. Mr Hamilton Russell himself remains non-executive chairman of the J. Walter Thompson advertising agency in South Africa.

These winemakers have also been trailblazers in opening up the new cooler viticultural areas, such as Elgin, Hermanus and Mossel Bay, which are considered to have more favourable micro-climates for making quality wines. They have also been at the forefront of new production developments, such as the use of small barrels for wood maturation.

Access to international markets will improve the prospects of these producers producing top quality wines. Wiser heads in the industry recognise that South Africa's isolation caused its producers to be left behind, particularly in terms of production techniques. There also recognition that the novelty factor from which South African wine sales are benefitting at the moment will soon wear off if quality is not delivered at affordable prices. These are the challenges the local industry is now facing up to.

WORLD COMMODITIES PRICES

MARKET REPORT

London's robusta COFFEE futures plunged again to touch new 22-year lows. "We've seen no origin selling, but the market's just drifted down in an apathetic kind of way," one dealer said. After being called to open about $5 a tonne lower on New York's overnight performance, near July soon fell through support at $750 a tonne to a low of $733, before closing $20 down at $738. Near May touched support at $700. Some dealers said coffee was due for an upturn as origins would refuse to sell at these levels. "A lot of traders are short, so if origins don't come to the market, then prices will have to come up," one said. In New York arabica prices were also down at midday. On the London Metal Exchange three-month ZINC continued to retreat from the $1,300 a tonne level, while prices for cash metal remain supported by technical tightness. The ALUMINIUM market recovered in the afternoon from a five-week low struck after talk of a labour contract deal at Alcoa and Reynolds. There was still no definite news of damage halting output at Yugoslavia's Mostar smelter, although there is heavy fighting in the region, traders noted.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.30-7.35	+0.00
Brent Blend (dated)	$19.70-9.80	+.475
Brent Blend (Jun)	$19.65-9.70	+.475
W.T.I (1 pm est)	$20.85-0.90z	+.375
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$222-224	+5
Gas Oil	$179-180	+4
Heavy Fuel Oil	$74-76	+1
Naphtha	$188-190	+6
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$336.50	+0.55
Silver (per troy oz)♣	398c	+6
Platinum (per troy oz)	$345.40	+4.05
Palladium (per troy oz)	$82.35	+0.70
Copper (US Producer)	103.44	-0.41
Lead (US Producer)	37.37c	
Tin (Kuala Lumpur market)	14.61r	
Tin (New York)	273.6c	-1
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.25p	-2.82*
Sheep (live weight)†♣	96.94p	+9.24*
Pigs (live weight)†	101.28p	-0.42*
London daily sugar (raw)	$248.4t	+5.9
London daily sugar (white)	$279.0t	+2
Tate and Lyle export price	£249.5	+4
Barley (English feed)	£121.5	
Maize (US No. 3 yellow)	£148.0w	
Wheat (US Dark Northern)	£120.0w	
Rubber (Jun)♥	56.00p	-0.25
Rubber (Jul)♥	56.25p	-0.25
Rubber (KL RSS No 1 May)	222.5z	+1
Coconut oil (Philippines)§	$22.5t	-7.5
Palm Oil (Malaysian)§	$390.0z	-2.5
Copra (Philippines)§	$410	
Soyabeans (US)	£150.5t	+0.5
Cotton "A" index	59.45c	-0.1
Wooltops (64s Super)	444p	-4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-May/Jun y-Apr/May w-Apr z-May †Meat Commission average livestock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)			
Raw	Close	Previous	High/Low
May	218.40	219.20	218.40
Aug	208.60	216.40	217.20 211.80
Oct	200.00	204.40	205.00 199.30
Dec	194.00		192.00 192.00
Mar	195.60		196.60
White	Close	Previous	High/Low
Aug	275.50	277.00	276.00 272.00
Oct	265.50	269.50	269.10 265.60
Mar	265.00		269.50

Turnover: Raw 746 (208) lots of 50 tonnes. White 722 (207)
Paris- White (FFr per tonne): Aug 1567.66 Oct 1540.28

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low
Jun	19.61	19.47	19.70 19.36
Jul	19.46	19.30	19.53 19.26
Aug	19.39	19.23	19.42 19.17
Sep	19.31	19.18	19.31 19.18
Oct	19.23	19.18	19.23 19.14
Nov	19.19		19.18 19.11
Dec	19.27	19.15	19.27 19.07
IPE Index	19.21	19.00	

Turnover 20000 (33405)

GAS OIL – IPE ($/tonne)	Close	Previous	High/Low
May	178.25	172.50	178.50 174.50
Jun	176.00	172.25	176.25 174.25
Jul	176.25	172.75	177.00 176.00
Aug	177.75	174.75	178.25 176.50
Sep	180.00	176.75	180.00 179.00
Oct	181.75	179.00	181.75 180.75
Nov	183.25	180.50	183.00 182.50
Dec	184.25	181.50	184.50 184.25
Jan	183.00		183.00 183.00

Turnover 14500 (10393) lots of 100 tonnes

FRUIT & VEGETABLES
Kiwifruit is this week's best fruit buy at 12-18p each reports the FFVIB. Spanish strawberries are at 55-65p a ½ lb, bananas at 49-38p a lb and Cape grapes at 90p-£1.00 a lb are also good buys. There are many different varieties of apples on the market including Cape Golden Delicious at 60-70p a lb and Chilean Granny Smith at 50-60p a lb. Dutch white cabbage at 20-35p a lb is excellent this week, along with English spinach at 40-60p a lb. Spring greens at 30-35p a lb with Dutch baby carrots at 35-40p a lb pre-pack. British cucumbers are at 40-60p each, tomatoes at 50-60p a lb and iceberg lettuce at 55-65p each.

COCOA – London FOX (£/tonne)	Close	Previous	High/Low
May	552	555	557 545
Jul	594	596	597 592
Sep	609	611	614 606
Dec	644	647	649 643
Mar	679	683	682 680
May	703	708	704
Dec	776	779	780

Turnover: 4087 (5958) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 29 738.92 (756.08) 10 day average for Apr.30 764.87 (767.49)

COFFEE – London FOX ($/tonne)	Close	Previous	High/Low
May	705	731	727 700
Jul	738	758	755 733
Sep	760	779	775 755
Nov	779	797	776 777
Jan	799	820	815 799
Mar	819	830	826 819
May	839		839

Turnover: 5875 (4998) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr.29: Comp. daily 50.36 (50.72) 15 day average 53.03 (53.45)

POTATOES – London FOX (£/tonne)	Close	Previous	High/Low
May	112.4	117.5	118.0 111.9

Turnover 148 (84) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)	Close	Previous	High/Low
Jun	119.00		119.50 119.00
Aug	119.50		119.50
Oct	124.50		124.50

Turnover 175 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)	Close	Previous	High/Low
May	1274	1275	1275 1270
Jun	1224	1221	1235 1220
Jul	1129	1130	1130 1125
Oct	1232	1250	1232
Jan	1257		1257
BFI	1216	1201	

Turnover 120 (107)

GRAINS – London FOX (£/tonne)	Close	Previous	High/Low
Wheat	Close	Previous	High/Low
May	124.65	124.75	125.00 124.60
Jun	126.25	126.25	126.25 126.10
Nov	114.85		114.85 100.00
Jan	118.35	117.95	118.35 118.25
Barley	Close	Previous	High/Low
May	116.75	118.00	116.75

Turnover: Wheat 126 (295), Barley 0 (97).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg	Close	Previous	High/Low
May	126.5	126.5	126.2 126.2
Jun	119.5	119.5	119.5 119.4
Jul	113.2	113.0	113.8 112.8
Aug	107.0		107.0 106.5
Sep	107.2		107.0 106.5
Oct	107.1	107.0	107.0 106.8
Nov	107.2	107.0	107.0 106.9

Turnover 41 (36) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 42,173 lots
Cash	1286.5-87.5	1299-300	1281.5/1280	1281-81.6		
3 months	1312-12.5	1325-26	1315/1306	1305-1305.5	1311-12	188,979 lots
Copper, Grade A (£ per tonne)						Total daily turnover 14,454 lots
Cash	1342.5-43.5	1345-46	1344	1344-44.5		
3 months	1272-72.5	1275.5-76	1275/1271	1273.5-74	1270-71	109,770 lots
Lead (£ per tonne)						Total daily turnover 1,198 lots
Cash	297.5-98.5	296.5-97.5	297.5	297.5-7.75		
3 months	310-10.5	309.25-9.5	310.5/310	310.25-10.5	309.5-10.5	16,504 lots
Nickel ($ per tonne)						Total daily turnover 2,680 lots
Cash	7437-39	7435-45	7440	7438-40		
3 months	7525-30	7525-30	7530/7525	7530-31	7525-30	24,018 lots
Tin ($ per tonne)						Total daily turnover 2,239 lots
Cash	5870-80	5895-905		5898-60		
3 months	5980-90	5005-10	5990/5980	5980-85	5980-85	6,860 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,282 lots
Cash	1353-55	1352-54	1355/1350	1350-52		
3 months	1286-87	1290-91	1290/1276	1284.5-85	1289-90	88,572 lots

LME Closing £/$ rate: SPOT: 1.7745 3 months: 1.7485 6 months: 1.7268 9 months: 1.7066

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	336.30-336.70	
Opening	335.80-336.20	
Morning fix	336.25	189.165
Afternoon fix	336.35	190.028
Day's high	336.50-336.90	
Day's low	335.90-336.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.10	6 months	3.29
2 months	3.11	12 months	3.41
3 months	3.20		

Silver fix	p/fine oz	US cts equiv
Spot	225.25	398.15
3 months	231.15	402.05
6 months	237.05	406.50
12 months	249.00	416.10

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	336.50-337.50	190.00-190.50
Maple leaf	347.00-348.00	196.00-196.50
New Sovereign	81.00-82.00	45.75-46.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jun	May	Jun
1200	92	101	3	3
1300	7	27	15	27
1400	3	3	108	102
Copper (Grade A)	Calls		Puts	
2150	55	87	3	4
2250	3	10	44	47
2350	3	3	144	136
Coffee	Jul	Sep	Jul	Sep
700	48	75	8	16
730	18	44	30	35
800	5	25	67	66
Cocoa	Jul	Sep	Jul	Sep
550	41	50	7	15
575	25	35	16	25
600	15	23	31	41
Brent Crude	Jun	Jul	Jun	Jul
1900	58	70	10	
1950	29	45	27	58
2000	11	25	11	80

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
May	337.6	336.1	0	0
Jun	337.9	336.4	338.1	337.0
Jul	338.6	337.3	0	0
Aug	339.8	338.3	339.9	338.9
Oct	341.7	340.2	0	0
Dec	343.7	342.2	343.5	342.7
Feb	346.0	344.5	345.4	345.2
Apr	348.3	346.8	0	0
Jun	350.8	349.3	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jul	347.4	342.8	347.5	344.0
Oct	351.7	346.7	351.5	348.5
Jan	351.8	346.8	0	0
Apr	353.3	348.3	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
May	398.8	395.5	399.0	395.5
Jun	400.2	397.0	0	0
Jul	401.5	398.3	402.0	398.0
Sep	404.7	401.5	404.0	401.5
Dec	409.5	406.3	409.5	408.5
Jan	411.2	408.0	0	0
Mar	415.0	411.8	0	0
May	418.9	415.7	417.5	417.5
Jul	422.9	419.7	0	0
Sep	427.5	424.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
May	99.85	99.50	99.80	99.25
Jun	100.15	99.75	0	0
Jul	100.45	100.05	100.50	99.85
Aug	100.65	100.20	0	0
Sep	100.85	100.40	100.85	100.40
Oct	100.85	100.40	0	0
Nov	100.90	100.40	0	0
Dec	100.95	100.40	100.70	100.50
Jan	100.70	100.29	0	0
Feb	100.55	100.85	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
May	9.45	8.91	10.10	9.41
Jul	9.36	8.71	9.78	9.30
Oct	8.95	9.13	9.20	8.94
Mar	8.86	8.68	9.03	8.85
May	8.85	8.63	8.98	8.87
Jul	8.87	8.94	8.85	8.80

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Jun	20.81	20.77	20.92	20.85
Jul	20.84	20.82	20.96	20.73
Aug	20.81	20.80	20.91	20.70
Sep	20.82	20.76	20.86	20.67
Oct	20.75	20.71	20.81	20.65
Nov	20.72	20.65	20.74	20.58
Dec	20.70	20.61	20.70	20.50
Jan	20.56	20.52	20.61	20.45
Feb	20.44	20.44	0	0
Mar	20.35	20.37	20.35	20.33

HEATING OIL 42,000 US galls; cents/US galls	Latest	Previous	High/Low	
May	5780	5697	5808	5680
Jun	5690	5646	5720	5615
Jul	5680	5632	5690	5600
Aug	5725	5663	5740	5670
Sep	5845	5813	5850	5800
Oct	5945	5913	5946	5895
Nov	6010	6003	6010	6010
Dec	6115	6093	6115	6070
Jan	6130	6118	6135	6120
Feb	6013	6013	0	0

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
May	892	880	890	887
Jul	933	921	936	922
Sep	977	963	980	965
Dec	1032	1022	1035	1021
Mar	1074	1064	1073	1072
May	1104	1094	0	0
Jul	1133	1123	0	0
Sep	1163	1153	0	0
Dec	1201	1191	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
May	61.85	63.10	63.10	61.50
Jul	62.90	64.20	64.70	62.40
Sep	65.00	66.35	66.80	64.60
Dec	68.45	69.60	70.15	68.00
Mar	72.20	72.70	73.00	71.10
May	74.60	75.00	74.60	74.25
Jul	76.25	77.00	77.00	77.00
Sep	78.50	79.50	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
May	62.35	60.57	62.45	60.75
Jul	62.40	61.44	62.50	61.15
Oct	63.00	62.40	63.25	62.25
Dec	63.42	62.96	63.50	62.85
Mar	64.80	64.15	64.85	63.95
May	65.05	64.60	64.75	64.35
Jul	65.20	64.75	65.20	64.95
Oct	64.40	64.07	0	0

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
May	131.50	132.40	135.50	131.50
Jul	123.65	124.95	126.95	123.30
Sep	118.50	117.55	120.60	116.50
Nov	111.05	111.55	112.75	111.00
Jan	110.40	111.05	113.00	110.40
Mar	110.50	111.25	112.25	110.50
May	110.05	111.00	0	0
Jul	110.05	111.00	0	0
Sep	110.05	111.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Apr.30	Apr.29	mnth ago	yr ago
1604.5	1605.0	1614.9	1727.5

DOW JONES (Base: Dec. 31 1974 = 100)				
	Apr.29	Apr.28	mnth ago	yr ago
Spot	118.01	118.35	117.51	127.41
Futures	118.57	119.12	121.49	126.97

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
May	574/2	572/2	574/4	573/0
Jul	580/2	579/0	581/0	579/0
Aug	583/4	583/0	584/4	583/0
Sep	587/4	586/6	588/6	586/4
Nov	594/4	593/6	595/6	593/0
Jan	603/0	602/4	604/6	602/2
Mar	612/4	611/0	613/4	611/4
May	619/4	618/4	620/0	618/4
Jul	625/0	623/2	626/4	625/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
May	19.32	19.26	19.43	[illegible]
Jul	19.58	19.58	19.73	[illegible]
Aug	19.73	19.74	19.87	[illegible]
Sep	19.88	19.91	20.01	[illegible]
Oct	20.04	20.05	20.17	[illegible]
Dec	20.36	20.38	20.49	[illegible]
Jan	20.46	20.51	20.58	[illegible]
Mar	20.75	20.76	20.82	[illegible]
May	21.00	21.00	21.07	[illegible]
Jul	21.26	21.25	21.30	[illegible]

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
May	172.8	173.0	173.4	172.[illegible]
Jul	176.2	176.2	176.7	175.8
Aug	177.4	177.3	177.9	177.3
Sep	178.7	178.4	179.2	178.5
Oct	195.1	195.6	196.8	195.6
Dec	196.2	195.8	196.7	195.9
Jan	196.3	196.2	196.5	196.1
Mar	197.2	196.8	197.7	197.2

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
May	244/0	244/4	246/6	243/6
Jul	249/4	250/6	252/6	249/2
Sep	248/0	249/2	251/0	247/4
Dec	247/4	249/2	250/4	246/6
Mar	255/2	257/4	258/4	255/0
May	259/6	262/2	263/0	259/4
Dec	254/4	255/6	254/4	254/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
May	372/2	371/0	377/0	371/0
Jul	353/4	354/6	356/6	353/0
Sep	357/4	358/6	362/4	357/2
Dec	364/0	365/6	369/0	364/0
Mar	364/0	366/0	368/4	364/0
May	357/0	357/0	357/0	357/0
Jul	340/4	339/0	343/0	340/4

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	73.100	73.125	73.325	72.900
Aug	69.850	69.990	70.275	69.550
Oct	69.400	69.400	69.600	69.200
Dec	69.250	69.350	69.750	69.175
Feb	68.825	68.900	69.250	68.625
Apr	69.975	70.025	70.275	69.975
Jun	67.700	68.000	68.000	67.500

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Jun	46.100	46.075	46.650	46.075
Jul	46.075	46.125	46.450	45.875
Aug	43.775	44.050	44.300	43.650
Oct	40.700	40.700	40.950	40.550
Dec	42.725	42.775	42.900	42.675
Feb	43.500	43.575	43.600	43.500
Apr	42.200	42.225	42.250	42.200

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
May	35.150	35.025	35.500	34.850
Jul	34.825	35.025	35.300	34.600
Aug	32.300	32.575	32.825	32.000
Feb	42.725	43.100	43.450	42.600
Mar	42.025	42.200	0	42.025
May	42.525	42.700	43.000	42.525

LONDON STOCK EXCHANGE

Equities retreat after profit-taking

By Steve Thompson

A HALF-HEARTED attempt by London's equity market to gather itself for an assault on the all-time high ran out of steam within minutes of the opening, and share prices remained on the retreat for the rest of a rather disappointing trading session. The FT-SE 100-share Index ended the day 10.8 lower at 2,654.1.

Behind the slide in share price were earnings downgrades on some of the blue chip companies, and worries that the emergence of the UK from the recession may take longer than expected. A sizeable sell programme by one of the leading marketmakers also put equities under pressure.

In the background, institutions were believed to be holding off the market ahead of an expected rush of rights issues or cash raising exercises.

Trading got off to a bright start, with dealers marking prices higher in response to a 25-point gain on Wall Street overnight and the successful outcome to Tuesday's record-breaking gilts auction.

Early minor gains were quickly wiped out however, as the Footsie future began to lose ground. The expiry of the Footsie futures option saw prices drift off, stabilise briefly in mid-morning, and then resume their downward path for much of the rest of the day.

A strong opening by Wall Street provided only marginal relief for London. At its worst, the Footsie index was almost 24 points lower at 2,641, but it rallied to recoup half of that amount by the close.

Account Dealing Dates		
*First Dealings:		
Apr 6	Apr 27	May 11
Option Declarations:		
Apr 23	May 7	May 21
Last Dealings:		
Apr 24	May 8	May 22
Account Day:		
May 5	May 18	Jun 1

*New-time dealings may take place from 8.30 am two business days earlier.

Equities were given no lead by a rather tired gilts market where the longer dated issues closed with losses of around ¼. Index linked stocks, on the other hand, posted good gains.

ICI's first quarter figures were in the middle of the range of forecasts, but the shares dipped in the wake of sustained profit-taking.

The oil sector, among the market's worst performing areas over the past couple of years, showed signs of attracting domestic funds after strong US demand over the past few weeks. BP, especially was very heavily traded.

Turnover in equities was strongly boosted by another big individual placing. Smith New Court, the securities house widely acknowledged to be the UK market's bought-deal specialists, acquired 19.6 per cent in Transport Development from Swedish group Proventus and placed the stock with a number of institutions, taking a 4½p turn on the shares, according to dealers. Overall turnover in equities reached 720.7m shares.

UBS Phillips & Drew remain bullish of UK equities. The broker maintained its forecast that the Footsie will achieve 3,000 this year; "healthy levels of cash flow and liquidity should allow domestic institutions to maintain a reasonable commitment to UK equities," said UBS. J P Morgan, the US investment bank, lifted its year-end footsie forecast by 100 points to 2,900 to 2,950. "Downside is limited while the potential for gains on our forecasts appears substantial," said strategists at the US investment bank. BZW is more cautious and sticks with its year-end footsie forecast of 2,750. "The degree of sustainable upside is looking more limited after the swift post-election rerating," said BZW.

BP gains from UK buying

THE PROSPECTS for BP, due to announce first-quarter results next Thursday, led to divided opinions among UK institutional investors, who have recently taken a very dim view of the stock.

Yesterday, one leading stockbroker bought 5m shares on behalf of a large institution. Because of double counting the deal represents 10m of the 21m shares traded. BP closed 2 firmer at 268p against a weak market and a sluggish sector.

The shares have fallen steadily from the mid-350s since last autumn as the market has become increasingly worried about the oil company's ability to maintain its dividend. They have picked up recently because US investors decided they were cheap, but UK buyers have tended to stay on the sidelines.

BAe slips

A cautious annual meeting at British Aerospace left the shares 6 lower at 345p after a volatile session. Turnover rose to 4.6m shares.

Sentiment was also affected by unconfirmed reports that BZW had downgraded its 1992 profits forecasts for the company by about £36m to around £185m. Further revisions from other brokers are expected.

There were also some fears that Delta Air Lines, of the US, which announced on Wednesday plans to cut more than $5bn from its capital expenditure programme by reducing aircraft deliveries, may abandon Airbus orders. BAe has a 20 per cent stake in AirBus Industrie, and builds the wings of the Airbus aircraft.

Wellcome bounces

Encouraging news at a presentation to financial analysts by Wellcome prompted a bounce in the stock, which has fallen sharply since the general election. It rallied 24 to 1060p.

Specialists were particularly cheered by the suggestion that earnings per share growth for this year could be as high as 20 per cent, compared with market estimates of around 15 per cent.

There was also reassurance that a number of products in the research stage were going well, particularly the replacement for Wellcome's high earning anti-viral drug Zovirax, which represents almost 30 per cent of drug sales and is approaching the end of its patent lifespan.

First-quarter results from ICI were encouraging but the shares fell 19 to 1362p on profit-taking.

Troubled chemicals group MTM recovered 7 to 64p after appointing a new chief executive.

Glaxo regained 6 to 744p on announcing that it had won UK approval for the oral form of its migraine drug, Imigran.

An announcement that Fisons intends to sell its consumer health and horticulture units to raise between £200m and £400m initially helped the shares. They climbed 13 but fell back with the market to close unchanged at 384p.

Granada Group rose as Smith New Court upgraded its figures. The securites house is looking for £114m this year, up £4m, and a further rise of £15m in 1993 to £139m, after being impressed by Granada's rationalisation programme. The shares put on 4 to 266p.

There was hefty turnover in Queens Moat Houses, up 1¼ at 87½p, as one investor switched convertible stock into 5.3m ordinary shares. A cash call from Resort Hotels left the shares 7 down at 76p.

Transport Development Group shed 8 to 271p after Smith New Court successfully placed the 19.6 per cent stake in TDG owned by Proventus, the Swedish group, with institutions at 263p a share. British Airways rose 10 to 289p on reports that UBS Phillips & Drew had upgraded the stock.

Eurotunnel improved 10 to 381p as bargain hunters continued to favour the stock following its recent decline.

The company said yesterday it would pay £50m to TML, the Channel tunnel contractor, as ordered by a disputes panel. Sources close to TML were optimistic over a final settlement being agreed with Eurotunnel shortly, and said that no further provisions would have to be made by the construction group this year over the costing dispute.

BICC was off 2 at 344p after Charterhouse Tilney downgraded its figures for the electricals group and moved to a sell stance, citing worries about BICC's borrowings.

Utilities remained strong, ahead of the reporting season. Thames Water climbed 5 to 442p and Severn Trent 6½ to 390½p following recent suggestions by analysts that the sector is undervalued.

Troubled property company Mountleigh said negotiations to sell a large shopping mall had collapsed. The stock declined 1¼ to 5¾p.

Saatchi & Saatchi saw heavy turnover of 40m shares and firmed 1¼ to 19¾p. Overseas investors are said to be particularly keen on economic recovery hopes, although one observer said the shares did not look cheap at this level.

Kingfisher lost 12 to 542p as UBS Phillips & Drew lowered its current year profits forecast by £5m to £235m, on doubts about the performance of B & Q, its DIY subsidiary.

Dalepak Foods gained 8 to 363p on the appointment of a new chairman.

Discount food retailer Kwik Save strengthened 19 to 600p on encouraging first-half profits, which were within market forecasts. Mr Graeme Seabrook, group managing director, predicted faster profits growth in the second half.

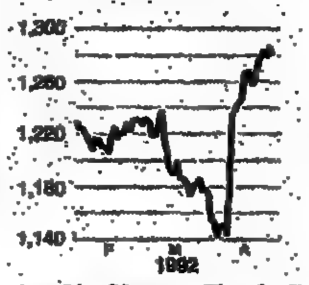
Albert Fisher was very active following recent US presentations. It was one of the most heavily traded stocks on the London market, with turnover of 17.1m shares. The price rose 1 to 72p as a large selling order was easily absorbed.

Talk of a profits upgrading for Siebe by BZW failed to halt the stock's decline, which ended 13 lower at 690p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Colin Millham, Christopher Price.

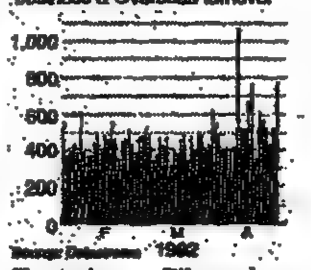
■ Other market statistics, Page 22.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business & Overseas turnover



Source: Datastream

FINANCIAL TIMES STOCK INDICES

	Apr 30	Apr 29	Apr 28	Apr 27	Apr 24	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.49	88.61	88.51	88.59	88.31	85.05	88.62 (15/4)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	102.78	102.94	102.80	102.53	102.24	94.20	102.94 (29/4)	97.15 (2/1)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2073.3	2076.5	2061.2	2073.7	2072.5	1981.0	2076.5 (29/4)	1851.4 (3/4)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	107.9	106.8	107.3	107.4	109.2	140.9	160.6 (10/1)	106.8 (29/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2654.1	2664.9	2651.0	2658.2	2643.0	2530.7	2664.9 (29/4)	2382.7 (3/4)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1222.07	1224.53	1217.07	1219.54	1213.35	1172.95	1224.53 (29/4)	1120.52 (8/1)	1224.53 (29/4/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.39	4.37	4.40	4.39	4.41	4.88				
●Earning Yld %(full)	6.31	6.27	6.31	6.30	6.32	8.72				
●P/E Ratio(Net)(*)	19.82	20.07	19.81	19.97	19.88	14.11				
SEAQ Bargns 5.00pm	27,989	29,823	29,278	32,415	40,076	28,546				
Equity Turnover(£m)†	-	1371.8	1209.6	981.9	1332.8	981.31				
Equity Bargains†	-	33,991	34,804	35,920	44,367	28,069				
Shares Traded (ml)†	-	781.3	532.5	430.3	530.7	431.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. * Nil 18.57

Ordinary Share Index, Hourly changes — Day's High 2085.4 — Day's Low 2063.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2083.4	2084.2	2081.4	2083.0	2074.8	2071.7	2069.7	2066.3	2071.9

FT-SE 100, Hourly changes — Day's High 2668.5 — Day's Low 2641.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2668.5	2664.2	2661.3	2665.3	2655.4	2651.2	2650.0	2647.2	2650.9

FT-SE Eurotrack 200, Hourly changes — Day's High 1225.36 — Day's Low 1219.98

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1224.35	1224.30	1224.47	1222.88	1221.32	1221.39	1222.00

GILT EDGED ACTIVITY

Indices*	Apr 29	Apr 28
Gilt Edged Bargains	113.5	95.8
5 – Day average	97.4	94.6

*SE Activity 1974
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]			

Based on the trading volumes for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE REDUCED premium of the June contract on the FT-SE was the only noteable feature in an otherwise lacklustre session in stock index futures, writes Joel Kibazo.

June opened at the 2,697 level, which proved to be the high point of the day, the contract then going into reverse, with stock index futures tracking the underlying cash market lower. Two-way business was seen at midsession before the sellers once again took command, leading June lower. Wall Street was said to have had no effect.

Dealers pointed to the reduced premium of the contract to the underlying cash market, which at the day's worst fell to just 22 points, having started the week at around 35.

June closed at 2,680, around 9 points above its estimated fair value premium to cash of about 18. Turnover was a healthy 8,000 lots.

Volume in the traded options market reached 34,340 contracts, down from 43,773 lots the previous day. The Volume in FT-SE options, which yesterday saw April expiry, was 12,752 lots. The Euro FT-SE traded 2,330 lots. British Steel was the busiest stock option with 2,249 contracts. This was followed by Hanson with 1,270.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (271).
AMERICANS (3) Chrysler, Ford, Tenneco, BREWERS (2) Devenish 4½pc Pf., Mansfield, BLDG. MATLS. (8) Breedon, Erwin, Grafton, Lilleshall, Manders, Marshalls 6½pc Cv., Ramus, Russell, BUSINESS SERVS. (6) Capita, Hays, Inchcape, Pensa, Reed Exec., Sherwood Comptr., CHEMICALS (11) Alcan, BTP, Brent, Cuming, Croda, Halstead, Hickson, Laporte, Leigh Ints., Yorkshire, Yule Catto, CONGLOMERATES (6) Bodycote, Goode Durrant, H'son & Crosfield, Jourdan, MB Caradon 7¾pc Pf., CONT. & CONSTRCTN. (14) Boot, Costain, Countryside, EBC, Eve, How, Laing, De A, Lawrence, McCarthy & St., Raine, Tay Homes, Torex Hire, Wiggins, ELECTRICALS [illegible]

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Thursday April 30 1992

[illegible]		

FIXED INTEREST

[illegible]		

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]		

OTHER FIXED INTEREST

[illegible]		

Prices for electricity purchased for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]			

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible]

NGC Settlements Limited

AMERICANS

	Notes	Price £	+ or -	1992 High	1992 low	Mkt Cap £m	Yld Gr's
Abbott Labs		[illegible]	[illegible]	[illegible]	34	[illegible]	1.6
Allegheny & W.		[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Amdahl		[illegible]	+46	[illegible]	815p	[illegible]	0.5
Amer Cyanamid		35	+½	37	[illegible]	[illegible]	2.7
Amer Express		[illegible]	[illegible]	[illegible]	[illegible]	5,902	4.5
Amer T & T		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.0
Ameritech		[illegible]	[illegible]	[illegible]	32½	15,707	5.5
BankAmerica		[illegible]	[illegible]	[illegible]	[illegible]	4,737	2.8
Bankers NY		33xd	[illegible]	[illegible]	[illegible]	2,718	[illegible]
Bell Atlantic		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.9
BellSouth		[illegible]	[illegible]	[illegible]	25	[illegible]	5.6
Bethlehem Steel		[illegible]	[illegible]	[illegible]	7	[illegible]	—
Bowater		[illegible]	+55	[illegible]	[illegible]	[illegible]	5.2
CPC	b	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
California Engy		[illegible]	-5	[illegible]	[illegible]	121.2	—
Campbell Soup		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.3
Chase Manhattan		[illegible]	—	[illegible]	[illegible]	[illegible]	4.5
Chrysler		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.0
Citicorp		[illegible]	[illegible]	11	[illegible]	[illegible]	—
Colgate-Palm		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.2
Cont'l Bank		[illegible]	—	[illegible]	[illegible]	[illegible]	3.4
Dana		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.8
Data General		[illegible]	+16	[illegible]	[illegible]	[illegible]	—
Dial		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.1
Dun & Brad		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.3
Eaton		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.8
Echlin		[illegible]	[illegible]	11	[illegible]	637.5	4.1
FPL		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.9
Fluor		[illegible]	—	27	21	[illegible]	[illegible]
Ford Motor		[illegible]	[illegible]	[illegible]	16	[illegible]	2.2
Gen Elect		[illegible]	—	[illegible]	[illegible]	[illegible]	2.7

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring [illegible]

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro [illegible]

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. [illegible]

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (◆) - 1101 to 1400 hours; (●) - 1401 to 1700 hours; (♠) - 1701 to midnight. [illegible]

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. [illegible]

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

[illegible] Life Assurance and Unit Trust Regulatory Organisation, Centre Point, [illegible] New Oxford Street, London [illegible]
Tel: 071 - 379 - 0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or –	Yield Gross
Norwich Union Life Insurance Soc.–Contd.				
Pensionvestor* & Unit-Linked Plus*				
Mixed Fund	462.2	486.5	+5.7	–
Ordinary Share Fund	718.2	756.0	+12.1	–
International Fund	167.8	176.6	+1.4	–
Property Fund	259.4	273.1	-0.2	–
Fixed Interest Fund	406.8	428.2	+1.1	–
Index-Linked Sec Fund	190.6	200.6	+1.2	–
Deposit Fund	281.3	296.1	+0.8	–
Norwich Units Apr 22	1116.59		....	–
*Prices as at April 30				
Jersey Investment Plan				
With Profits Fund	124.05	130.58	+0.04	–
Intl Equity Fund	92.76	97.64	+0.63	–
Intl Bond Fund	118.65	124.90	+0.27	–
Norwich Union Pensions Management Ltd				
Surrey Street, Norwich, NR1 3NG 0603 683335				
Group Pooled Pensions				
Balanced Managed Fd	331.36	336.83	+1.24	–
Growth Managed Fd	110.61	112.55	+0.49	–
Sentinel Managed Fd	107.78	109.13	+0.31	–
Prices as at April 29				
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	134.1	141.1	....	–
Property Acc. (Gross)	255.6	269.0	....	–
Equity (Gross)	914.9	963.1	+1.7	–
Managed (Gross)	632.3	665.6	+1.0	–
Property Acc. (Net)	122.1	128.5	....	–
Equity (Net)	211.2	222.3	+0.3	–
Managed (Net)	194.0	204.2	....	–
International (net)	167.5	176.3	+0.6	–
Gilt & Fixed Interest	138.7	146.0	+0.1	–
Money Fund	138.3	145.6	–	–
Mixed Fund (Cap)	119.8	126.2	....	–
Mixed Fund (Acc)	123.7	130.3	....	–
Adventurous Managed	–	–	....	–
Cautious Managed	–	–	....	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	687.9	724.2	+1.8	–
Ret Man (Series 2)	233.3	245.6	+0.6	–
Ret Cash	194.1	204.3	+0.1	–
Pens Mixed Fd (Cap)	133.2	140.3	....	–
Pens Mixed Fd (Acc)	137.5	144.8	....	–
Pens Stg Fd (Cap)	102.4	107.8	....	–
Pens Stg Fd (Acc)	105.8	111.4	....	–
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 230871				
Life Funds				
Managed Aggressive	102.1	107.5	-0.1	–
Managed Balanced	99.7	105.0	-0.2	–
Managed Cautious	111.9	117.8	+0.1	–
Pension Funds				
Managed Aggressive	106.8	112.5	-0.1	–
Managed Balance	104.6	110.2	-0.2	–
Managed Cautious	115.5	121.6	+0.1	–
For Pioneer Mutual see Swiss Pioneer				
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	145.0	153.0	+1.0	–
Building Soc. Fd	220.0	232.0	....	–

	Bid Price	Offer Price	+ or –	Yield Gross
Provident Mutual Life Assc. Assn.–Contd.				
Index Linked Gilt Init.	123.1	129.6	+1	–
Overseas Equity Ord	271.6	285.9	+1.1	–
Overseas Equity Init.	199.3	209.8	+0.9	–
Property Ord.	220.3	231.9	-1	–
Property Init.	161.6	170.1	-0.7	–
Fixed Interest Ord	225.0	236.8	-0.3	–
Fixed Interest Init.	165.1	173.8	-0.1	–
Deposit Ord.	184.9	194.6	.	–
Deposit Init.	135.6	142.7	. . .	–
Pension Funds				
Managed Ord	470.1	494.8	+0.1	–
Managed Init.	344.8	362.9	....	–
Equity Ord.	735.0	773.7	-0.6	–
Equity Init.	539.2	567.6	-0.5	–
Pen Ind Lkd Gilt Ord.	180.8	190.3	+1.2	–
Pen Ind Lkd Gilt Init.	138.6	145.9	+1.1	–
Overseas Equity Ord	308.9	325.2	+1.5	–
Overseas Equity Init.	226.6	238.5	+1	–
Property Ord.	278.3	292.9	-1.8	–
Property Init.	204.1	214.8	-1.4	–
Fixed Interest Ord.	285.4	300.4	-0.2	–
Fixed Interest Init.	209.3	220.3	-0.2	–
Deposit Ord.	264.4	278.3	....	–
Deposit Init.	194.0	204.2	+0.1	–
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Mar 22	264.6	275.71	....	–
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3201				
Prudential Managed Funds				
Discretionary Apr 29	£189.46	195.35	+2.35	–
Equity Apr 29	£219.19	226.70	+3.93	–
International Apr 29	£27.31	27.90	+0.02	–
Intl Bond Apr 29	£14.36	14.54	-0.2	–
Fixed Int Apr 29	£103.83	104.95	+0.31	–
Index Linked Apr 29	£71.42	74.29	+1.34	–
Property Apr 29	£109.18	115.22	+0.3	–
Cash Apr 29	£30.3238	30.3238	+0.0599	–
Pru-Linked Retirement Plan				
Managed Apr 29	460.8	480.0	....	–
Cash Apr 29	278.6	290.3	....	–
Prudential Pensions Investment Account				
Pens Mixed Apr 30	184.8	198.9	-0.4	–
Pens UK Eq Apr 30	333.8	359.9	-1.5	–
Pens Intl Apr 30	196.1	210.7	+0.8	–
Pens Global Eqty Apr 30	103.9	109.4	-0.2	–
Pens Fixed Apr 30	236.0	249.3	-0.1	–
Pens Index Lk Apr 30	188.8	199.3	+1.7	–
Pens Property Apr 30	89.4	94.2	+0.3	–
Pens Cash Apr 30	181.7	191.5	....	–
Money Purchase Plan				
Discretionary Apr 30	101.9	109.3	+1.00	–
Equity Apr 30	106.9	114.9	+1.2	–
International Apr 30	87.5	93.0	+0.6	–
Global Equity Apr 30	100.9	108.2	+1.1	–
Intl Bond Apr 30	96.0	101.0	-1.2	–
Fixed Interest Apr 30	120.0	115.6	+0.1	–
Index Linked Apr 30	97.0	104.7	+1.8	–
Property Apr 30	98.6	106.2	+0.3	–
Cash Apr 30	103.5	108.7	....	–
Prudential Individual Life Funds				

	Bid Price	Offer Price	+ or –	Yield Gross
J. D. Ward Financial Services Ltd				
9 Kingsway, London, WC2 B6XF 071-836 4321				
J D Ward Mngd Bond	189.2	204.5	....	–
J D Ward Mngd Pen	121.5	131.1	....	–
Albany Life Acc	194.0	204.2	+1.0	–
Albany Pens Acc	249.9	263.0	+1.4	–
M&G Tripos Pen Acc	186.5	195.9	+1.6	–
[illegible]	182.4	191.9	....	–

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Pembroke Hall, Pembroke, Bermuda

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

OFFSHORE INSURANCES

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Wardley Investment Services Ltd

Wardley S.E. Asia Tst.	$15.10	15.94	-0.05	0.80
Japanese Warrants	$3.09	3.28	+0.05	–
[illegible]	$11.30	11.97	+0.13	–
European Warrants	$5.12	5.49	+0.02	–
Managed	HK$11.92	11.56	-0.03	–
[illegible]		$20.24	+0.03	–

Wellington Fd Mngrs (Bermuda) Ltd

Intl Growth Fd.	$13.15	13.82	....	–

Wells Fargo U.S. IT Fund

Wells Fargo A Shs (z).		$10.73	....	–
Wells Fargo B Shs (z).		$9.90	....	–

Xiphias International Investment Fd Ltd

Xiphias Inc USD		$1.0756	....	–
Xiphias Inc ECU		Ecu1.0670	....	–

Yamaichi Capital Mngmt (Guernsey) Ltd

Thai Inv Fund		$10.28	-0.46	–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey Financial Services Commission; Ireland Central Bank of Ireland; Isle of Man Financial Supervision Commission, Jersey. Commercial Relations Department, Luxembourg Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

US economic worries dominate

WORRIES about the strength of the US recovery were once again the dominant feature of what was otherwise a quiet day of trading on the foreign exchange markets, *writes James Blitz.*

Although some of the economic indicators coming out of Washington were in line with expectations, they suggested that economic growth in March and April was not as strong as in the first couple of months of this year. The US government's weekly figures for unemployment applications were unchanged at 404,000 for the week-ending 18 April. And the leading indicators, which rose 0.2 per cent in March, were not as strong as figures for January and February.

Consequently, the dollar closed slightly weaker in London trading against both the D-Mark and the yen. It closed at DM1.6525 against a previous close of DM1.6565. Against the yen, it closed slightly lower at Y133.35 against a previous close of Y133.45. "The markets may feel that the pace of growth in the US has not been sustained," said Mr Gerard Lyons, chief economist of DKB International in London, "and we could see a further weakening in forthcoming months."

Nevertheless, the markets still have to weigh the uncertainty of a US economic recovery against political weaknesses in Germany and economic weakness in Japan. As a result, the D-Mark was unable to make much headway against other currencies, including sterling which suffered from a heavy bout of overnight selling in the Far East. Having dipped overnight below DM2.93, sterling managed to climb back to its previous close in London of DM2.9325. The D-Mark also slipped a little against the yen, slipping in Frankfurt to DM1.2427 per 100 yen from DM1.2393 earlier in the day.

Uncertainty about the D-Mark was offset by suggestions that the Bundesbank's policy-making Central Bank council might raise rates further at its regular meeting next Thursday. Analysts noted that the rate for 3-month money in Germany's markets has climbed during the week from 9.60 per cent to 9.80 per cent, putting it above the Bundesbank's own Lombard rate of 9.75 per cent. Analysts believe that this may force the Bundesbank to raise the Lombard rate to come into line with the market. "High interest rates would be supportive for the mark, if not for a very good reason," said one trader.

The yen's modest gains yesterday against both the dollar and the D-mark were interpreted as a sign that support given to the currency by the G7 finance ministers at the weekend is working after all. On Wednesday, the yen had weakened against the dollar in New York trading, despite a declaration by the G7 that the decline of the yen was not contributing to the world's economic adjustment.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.843	-3.58	5.07	62
Portuguese Escudo	178.735	172.493	-3.49	4.97	57
Belgian Franc	42.4032	42.2417	-0.38	1.69	22
Dutch Guilder	2.31643	2.30907	-0.32	1.63	19
D-Mark	2.05586	2.05344	-0.12	1.42	15
Irish Punt	0.767417	0.769088	0.22	1.08	-6
Italian Lira	1538.24	1543.17	0.32	0.98	-12
French Franc	6.89509	6.92522	0.44	0.86	-20
Sterling	0.696904	0.700429	0.51	0.79	-11
Danish Krone	7.84195	7.94414	1.30	0.00	-56

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

*Floating rate. Iran Official rate £117.50 $66.80

POUND SPOT - FORWARD AGAINST THE POUND

Apr 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7665 - 1.7760	1.7740 - 1.7750	1.01-0.99cpm	6.76	2.83-2.80pm	6.35
Canada	2.1095 - 2.1245	2.1205 - 2.1215	0.75-0.71cpm	4.13	2.02-1.93pm	3.72
[illegible]	3.2950 - 3.3050	3.2950 - 3.3050	[illegible]	0.91	[illegible]	1.14
Belgium	60.25 - 60.45	60.35 - 60.45	9-4cpm	1.29	15-10pm	0.83
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000; French Fr. per 10; Lira per 1,000; Belgian Fr. per 100; Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Lawrie	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Equatorial Bank plc	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Financial & Gen. Bank	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	10.5	● Robert Fleming & Co.	10.5	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	Robert Fraser & Ptnrs.	11	Royal Bk of Scotland	10.5
Bank of India	10.5	Girobank	10.5	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	● Guinness Mahon	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Hambros Bank	10.5	TSB	10.5
Barclays Bank	10.5	Hampshire Trust Plc	13.5	Unibank plc	10.5
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	● Hill Samuel	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	C. Hoare & Co.	10.5	Western Trust	10.5
CL Bank Nederland	10.5	Hongkong & Shanghai	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Julian Hodge Bank	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Interest rates ease

SOME traders speculated yesterday on the possibility of a cut in British interest rates after the Bank of England again bought bills at the longer end at slightly reduced rates.

In yesterday's early trading in the discount market, the Bank bought £36m of Band-3 bills at 10¼-$\frac{3}{32}$ per cent and £13m of Band-4 at 10$\frac{1}{32}$-10 per cent. These were lower rates than those used on Wednesday morning, when the Bank bought Band-3 bills at 10$\frac{5}{32}$-⅛ per cent and Band-4 bills at 10$\frac{1}{16}$-$\frac{1}{32}$ per cent. Last week, the Bank was buying Band-3 at 10$\frac{3}{16}$ per cent and Band-4 at 10$\frac{1}{16}$ per cent.

Rates for the shorter term bills in Bands-1 and-2 remained unchanged, however, with the Bank once again selling £147m of Band-1 bills at 10⅜ per cent.

Traders were divided over how to read the Bank's intentions from yesterday's rates in Bands-3 and-4. One trader believed that this was the start of a slow climb down in rates, as the Bank of England tests whether the foreign exchanges will sell sterling at slightly reduced rates. "The news is mildly encouraging on rates," said one.

However, the majority believed that the Bank was more concerned to relieve the large shortages in the discount market without reducing the shorter term rates in Bands-1 and 2. Once again, the Bank posted a large end-of-month shortage at the start of trading yesterday of £1200m. In the afternoon, the shortage was revised to around £1150m before taking account of the morning operations. The Bank then purchased bills totalling £164m of which £147m were Band-1 bank bills at 10⅜ per cent and £17m were for resale to the market on 8 May at 10$\frac{13}{32}$ per cent. The Bank provided late assistance of £375m.

In the interbank market, the 3-month rate, a key indicator of possible base rate moves, finished a shade lower at 10½-⅜ per cent compared to 10½-⅜ yesterday. There was also a slight easing in the futures markets. The June Short sterling contract edged up during the day, tracking sterling's rise against the D-Mark. June short sterling opened on a low of 89.64 but finished at around 89.72. This suggests that the market believes that interest rates three months from now will be 10.28 per cent.

In the German markets, the overnight rate fell from 9.60/65 per cent to around 7.50-8.50 per cent.

UK clearing bank base lending rate 10.5 per cent

from September 4

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONTHLY AVERAGES OF STOCK INDICES

	April	March	February	January
Financial Times Government Securities	87.42	88.61	88.27	87.55
Fixed Interest	101.16	98.83	101.17	99.33
Ordinary	[illegible]	[illegible]	1974.9	[illegible]
Gold Mines	113.0	123.63	[illegible]	151.1
SEAQ Bargains(5.00pm)	35,856	30,512	30,694	29,697
F.T.-Actuaries Industrial Group	1318.88	1286.54	1302.61	1273.80
500 Share	[illegible]	1354.07	[illegible]	1353.75
Financial Group	[illegible]	700.75	720.37	721.01
All-Share	1225.16	1199.04	1218.70	1203.06
FT-SE 100	2549.4	2495.2	2543.3	2520.2
FT-SE Eurotrack 100	[illegible]	1155.69	1145.38	1118.77

	Highest Apr. close	Lowest Apr. close
Ordinary	2076.5 (29th)	1851.4 (3rd)
All-Share	1288.45 (29th)	1142.45 (3rd)
FT-SE 100	2664.9 (29th)	2382.7 (3rd)
FT-SE Eurotrack 100	1174.96 (30th)	1140.98 (9th)

MONEY MARKET FUNDS

Money Market Trust Funds

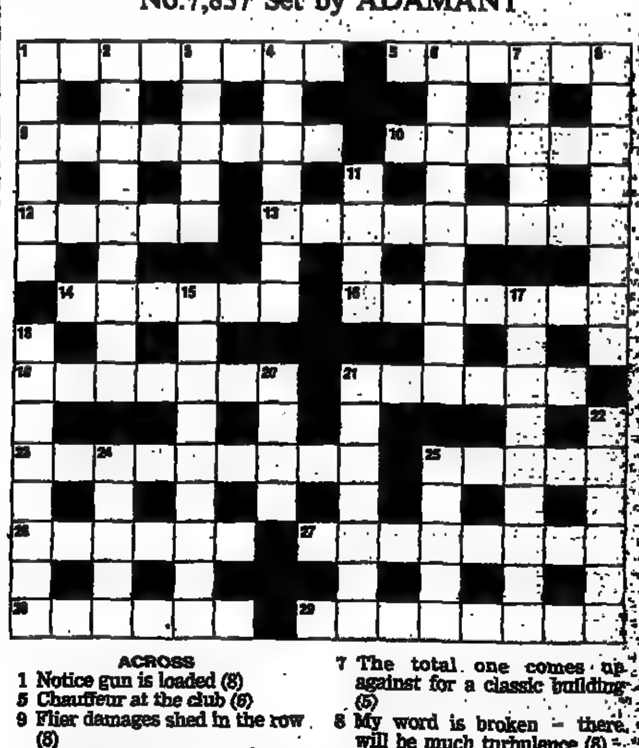
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,837 Set by ADAMANT



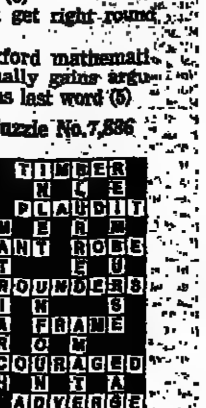
ACROSS

1 Notice gun is loaded (8)
5 Chauffeur at the club (6)
9 Flier damages shed in the row (8)
10 Consecrate everything? How about it! (6)
12 Not the first to change roles (5)
13 Prepared to love even a dry casserole (4-5)
14 Anti-climax of finding there is nothing in the swimming pools (6)
16 No French increase could pose quite a problem (7)
19 Left on the shelf without a sell by label? (7)
21 Attractive little river in insignificant setting (6)
23 Ample opportunity? Not a bit of it! (3,6)
25 Massive honours for the English at last (5)
26 Stable adjective for Labour (6)
27 A month and a day before the Common Market brand (8)
28 Take time off to regret return of classic discovery (6)
29 Direct to the last part of the course (8)

DOWN

1 Polish up on position Liberal in General Election would take (6)
2 The daily's mad about new member of staff (5-4)
3 Number three perhaps (5)
4 Fiery genius needed oxygen mixture (7)
6 Replace the back boiler (9)
7 The total one comes up against for a classic building (5)
8 My word is broken - there will be much turbulence (8)
11 Pulse for money (4)
15 Develop plans and find the money for sporty car (9)
17 One who carelessly drops the plans for putting a microphone under the bed (9)
18 Vote for assistant bishop to lose an early replacement (8)
20 Finish up having nothing completed (4)
21 Stop and shut up about the minister (7)
22 Feel sad at having taken bird on the river (6)
24 Big cat can get right round one (5)
25 Leading Oxford mathematician eventually gains argument and has last word (5)

Solution to Puzzle No.7,836



WORLD STOCK MARKETS

AUSTRIA

April 30	Sch	+ or −
Austrian Airlines	2,375	−18
Creditanstalt Pf	307xd	−3
EA General	3,480	−10
EVN	835	−7
Jungbunzlauer	14,400	−100
OeMV	860	−30
Perlmooser Zement	1,650	....
Radex-Heraklith	562	+1
Reininghaus-Brau	1,655	−5
Steyr Daimler	219	−5
Veitscher Magnesit	346	+2
Verbund (Br) A	520	....
Wienerberger	4,530	+40
Z-Laenderbank	1,070	−15

BELGIUM/LUXEMBOURG

April 30	Frs.	+ or −
ACEC-Union Min	2,340	....
AG Group	2,005	+25
Arbed	3,800	−70
BBL	3,440	+30
Bank Intl a Lux	11,920xd	−180
Bank Gen Lux Pts	12,400	....
Barco	1,260	−2
Bekaert	12,675	−125
CBR Cement	8,230	−60
CMB	2,190	+30
Cobepa	5,030	−80
Cobepa AFV 1	4,965	....
Cockerill Prfr	156	−3
Colruyt	4,725	−25
Delhaize Frt Lion	9,050	−50
Electrabel	4,800	−95
Electrabel AFV	4,800	−90
Electrafina ACT	2,540	−65
GBL	3,195	−75
GBL AFV 1	3,160	−100
GIB Group	1,424	−2
GIB Group AFV	1,348	+8
Gechem	341	+1
Gechem AFV	341	....
Generale Banque	6,320	−90
Gen Banque AFV1	6,320	−30
Gevaert	7,000	−30
Kredietbank	4,810	−70
Kredietbk AFV	4,855	....
Pan Holding Lux	13,250	....
Petrofina	10,900	+50
Powerfin	2,450	−70
Powerfin AFV	2,480	−20
Royale Belge	4,400	−200
Royale Belge AFV1	4,370	−30
Soc Gen Belge	1,970	−30

FRANCE (continued)

April 30	Frs.	+ or −
Beghin-Say Cert Inv	490	....
Bongrain	3,070	−45
Bouygues	653	−6
CGIP	1,250	−18
C M B Packaging	185	....
Canal+	1,174	−9
Cap Gemini S	326.70	−2.30
Carrefour	2,580xd	−19
Casino	175.40	+2
Cetelem	759	−36
Chargeurs	1,214	+41
Club Mediterranee	550	+2
Cogifi	343.10	....
Coparex	605	....
CCF	186.80	−0.20
Cr Fonc France	953	+3
Cred Lyon (CI)	644	−4
Credit National	1,085	−24
Damart	2,890	−20
Docks de France	428.40	+4.40
Dollfus Mieg Cie	320.10	+1.10
EBF	890	+1
Eaux Cie Gen	2,349	+9
Ecco	467	−3
Elf-Aquitaine	392	−3
Elf-Aquitaine Certs	285	+19
Essilor Int	496	+6
Etex	2,100	−20
Eurafrance	1,585	−7
Eurocom	659	+16
Euro Disney	137	−1.80
Exor	1,400	....
Finextel	121.10	+1
Fonc Lyonnaise	670	−2
From C et Aux	3,100	+30
GTM-Entrepose	441	+1
Gal. Lafayette	1,900	+10
Gaumont (Soc N)	598	+15
Geophysique	640	−9
Hachette	147.50	....
Havas	526	+1
Imetal	360.50	+5.40
Imm de France	900	−1
Immobanque	684	+22
Immob Phenix	139	+3
Industrielle	6,990	+40
Interbail	468	+3
Intertechnique	830	−10
LVMH	4,330	−87
Lafarge Coppee	382.50	−1.50
L'Oreal	865	+2
Legrand	4,945	+68
Legris	460	−1.90
Lyon Eaux Dumez	550	−1

GERMANY (continued)

April 30	Dm.	+ or −
Continental AG	274	+2.70
DLW	568	−12
Daimler-Benz	785	....
Deckel (Fr)	139.40	....
Degussa	348.80	+4
Deutsche Babcock	174.80	+4.80
Deutsche Bank	708	−1
Didier-Werke	156	+2
Douglas Hldg	648.50	−6.50
Dragerwerk	310	−5
Dresdner Bk	353.80	−0.40
Fag Kugelfischer	265.50	+0.50
Gerresheimer	360	+1
Goldschmidt (TH)	840	+12
Hamburg Elekt	189	−0.20
Hapag Lloyd	590	+10
Heidelb Zem	942	+37
Henkel Prf	616.50	+0.50
Herlitz	337.50	−0.50
Hochtief	1,240	−8
Hoechst	249.50	+3.30
Hoesch	252	+1.50
Holzmann Ph	1,175	−5
Horten	182	−1
IKB Deutsche Ind	257	....
Industrie Werke	338.50	−1.50
Kali & Salz	153	−0.80
Karstadt	607	−4.50
Kaufhof	482	−7.50
KHD	143.90	−0.60
Klockner Werke	121	+0.20
Lahmeyer	798	+35
Leifheit	513	−4
Linde	846.30	+0.30
Linotype-Hell	422.80	+2.80
Lufthansa	153.50	−1.50
Lufthansa n/v Prf	113.50	−1.50
MAN	382.80	....
MAN Pref	300	+3
Mannesmann	282.20	−2.30
Mannheim Vers	781	....
Mercedes Hld	593	−2
Metallgesellschaft	420.50	−6.50
Muench Rueck (Reg)	2,580	+5
PWA	245	+1
Philips Kommun	526	−4
Porsche	541	+1
Preussag	405.50	−3.50
Rheinelektra	1,342	−3
Rheinmetall Berlin	291	+1
Rheinmetall Prf	226.50	−1.50
Rhein West El	397.50xd	−2.50

CANADA

TORONTO

3:00 pm prices April 30

Sales	Stock	High	Low	Close	Chng
218800	PgTrustco †	$8	7⅞	8	+⅛
700	StLawCm A	$11⅝	11⅝	11⅝	−⅛
61100	Sceptre Rs	68	65	68	
[illegible]	ScotPaper	$15⅛	15⅛	15⅛	−⅛
15900	Scotts Hos	$14⅛	d14⅛	14⅛	
44100	Seagram Co	$142⅞	141⅞	142⅞	+⅞
51600	Sears Can	$9	8⅞	8⅞	+⅛
6800	ShellCan A	$44⅛	43⅞	44⅛	−⅛
27800	Sherritt G	$8⅛	8½	8⅝	+⅛
120000	SHL Syst	$15	14½	14⅞	−⅛
101000	SNC Group	$11⅛	11½	11⅝	
2500	Sonora Gld	16	14	15	
41000	Southam	$18	17½	17½	−½
16800	Spar Aero	$18⅞	18⅝	18⅝	
190100	Stelco A	500	490	495	+5
11000	Teck B	$17⅛	17⅛	17⅛	
28600	Teleglobe	u$12⅞	12⅞	12⅞	−⅛
103100	Thomson	$16⅛	16	16	
179700	Tor Dom Bk	$16⅞	16⅞	16½	−⅛
15300	Torstar B	$22⅛	22	22⅛	
13000	TotalPNAm	$9½	9½	9½	
103800	TransAlta	$12⅝	12½	12⅝	
97800	Transcan P	$16⅞	16⅝	16⅝	−⅛
600	Trimac	$8	8	8	−½
87000	Trizec A	$6⅛	6	6⅛	−⅛
100	UAP A	$17⅞	17⅞	17⅞	
2500	UnionEnt	$15⅞	15⅞	16⅛	−⅛
2700	UnitedCorp	$27	26⅞	26⅞	
1600	UtdDomInd	$11⅞	11⅝	11⅝	−⅛
4200	Viceroy Rs	405	c300	405	
28300	W'coast E	$18	17⅞	17⅞	−⅛
3000	Weston Geo	$35⅛	35⅛	35⅛	+⅛
4300	WIC B	$14½	14½	14½	

† - No voting rights or restricted voting rights

MONTREAL

3:00 pm prices April 30

Sales	Stock	High	Low	Close	Chng
78100	BombrdierB	$14	13⅞	13⅞	
1200	Cambior	$7⅛	7⅛	7⅛	
47000	Canimp Bk	$28	27⅞	27⅞	−⅛
100	CanMarconi	$15	15	14⅛	
2500	Cascades	$7⅛	7½	7½	−⅛
5500	DomnTxt A	$8⅛	8⅛	8⅛	+⅛
8000	MacleanHnt	$11⅝	11⅝	11⅝	−⅛
122100	NatBk Can	$9	8⅞	8	+⅛
4100	Provigo	$7⅞	7⅞	7⅞	
800	Quebecor A	$13⅛	13⅛	13	
20400	Teleglobe	u$12⅞	12⅛	12⅛	
211100	Videotron	$15½	15⅛	15⅛	−⅛

Total Sales 10,414,900 shares

INDICES

NEW YORK

DOW JONES	Apr 29	Apr 28	Apr 27	Apr 24	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3383.18	3387.92	3384.56	3324.46	3366.50 (16/4)	3172.41 (2/1)	3366.50 (16/4/92)	41.22 (2/7/32)
Home Bonds	99.18	99.08	98.87	98.91	99.81 (6/2)	98.41 (20/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1367.53	1353.33	1350.15	1360.24	1462.46 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.50	207.25	206.69	207.69	225.39 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3353.76 (3329.83) Low 3295.39 (3273.03)

STANDARD AND POOR'S	Apr 29	Apr 28	Apr 27	Apr 24	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	412.02	409.11	408.45	409.02	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	488.05	484.59	483.72	484.38	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.60	34.12	34.26	34.49	36.14 (15/1)	32.40 (8/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	226.58	225.12	224.94	225.12	231.86 (15/1)	217.92 (8/4)	231.86 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	385.78	383.04	384.98	385.98	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	569.94	568.33	566.94	572.89	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	Apr 24	Apr 10	Apr 3	year ago (approx.)
Dow Industrial Div. Yield	2.88	2.85	2.85	3.47

	Apr 22	Apr 15	Apr 8	year ago (approx.)
S & P Industrial div. yield	2.63	2.57	2.70	2.74
S & P Ind. P/E ratio	28.80	29.46	27.95	18.70

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Ford Motor	4,051,600	45⅝	+ 1⅛
Glaxo	3,959,000	25⅛	- ⅛
Chrysler	3,873,300	19⅞	+ ⅞
Intl Family	3,992,500	14	----
Adia	3,118,700	7⅛	+ ⅛
Gen Motors	2,600,100	42⅛	+ 2
Du Pont	2,336,600	52⅝	+ 1⅛
Cooper Inds	2,101,600	50⅛	- 1⅛
Eastman Kodak	1,983,600	39⅛	+ 1⅛
Boeing	1,795,700	43⅞	- ⅛

TRADING ACTIVITY

† Volume	Millions Apr 29	Apr 28	Apr 27
New York SE	206.750	186.710	172.820
Amex	10.644	12.429	12.101
NASDAQ	180.379	187.482	192.141
NYSE			
Issues Traded	2,219	2,245	2,220
Rises	1,092	729	791
Falls	606	960	882
Unchanged	522	566	528
New Highs	60	31	37
New Lows	14	28	25

CANADA

TORONTO	Apr 29	Apr 28	Apr 27	Apr 24	1992 HIGH	1992 LOW
Metals & Minerals	3011.14	2977.67	2976.85	2990.12	3238.87 (16/1)	2828.26 (8/4)
Composite	3357.00	3337.90	3326.45	3349.69	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1763.49	1749.92	1740.62	1751.86	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr 30	Apr 29	Apr 28	Apr 27	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1655.9	1629.8	1685.8	1602.9	1675.60 (25/1)	1545.30 (9/4)
All Mining (1/1/80)	705.8	694.4	686.4	689.0	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	405.63	406.65	409.69	401.00	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	960.13	968.09	970.59	964.54	1099.43 (24/2)	[illegible]
BELGIUM						
BEL20 (1/1/91)	1192.76	1206.86	1206.26	1210.36	1234.72 (3/1)	1097.25 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	329.66	331.02	331.38	333.02	365.29 (15/1)	326.35 (9/4)
FINLAND						
HEX General (28/12/90)	830.5	837.3	818.7	817.7	935.90 (24/2)	778.30 (9/4)
FRANCE						
CAC General (31/12/82)	547.30	540.41	539.01	536.18	547.30 (30/4)	475.53 (2/1)
CAC 40 (31/12/87)	2031.14	2036.72	2006.62	1995.72	2036.72 (29/4)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	708.99	703.09	706.35	708.46	715.44 (3/3)	643.26 (8/1)
Commerzbank (1/12/53)	1972.9	1979.7	1990.8	1996.1	2026.70 (3/3)	1813.80 (8/1)
DAX (30/12/87)	1734.03	1735.91	1735.94	1742.22	1764.80 (5/3)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5369.57	5362.41	5423.39	5371.77	5423.39 (28/4)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1437.34	1436.36	1438.31	1432.36	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	502.02	503.66	507.58	508.43	551.59 (6/2)	496.23 (9/4)
MIB General (2/1/92)	998.0	995.0	1001.0	1002.0	1086.00 (5/2)	977.00 (30/3)
JAPAN						
Nikkei (16/5/49)	17398.71	(c)	17527.40	17450.52	23801.18 (6/1)	16598.15 (9/4)
Tokyo SE (Topix) (4/1/68)	1317.46	(c)	1319.00	1312.85	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1917.65	(c)	1923.06	1926.26	2459.85 (8/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	591.63	585.12	583.62	581.02	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tot Rtn Gen (End 1983)	(c)	303.6	302.8	300.9	303.60 (29/4)	274.00 (8/1)
CBS All Shr (End 1983)	(c)	212.3	211.9	210.6	212.30 (29/4)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	741.81	721.05	706.64	710.08	748.03 (17/1)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1239.02	1228.24	1211.48	1190.87	1303.30 (17/1)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	394.88	387.92	385.75	383.99	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1017.0&	1010.8	1028.0	1017.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4311.0&	4292.0	4252.0	4227.0	4535.00 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	615.97	612.72	597.24	608.06	691.48 (8/2)	569.65 (10/4)
SPAIN						
Madrid SE (30/12/85)	248.73	249.79	249.17	249.93	266.31 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	981.5	980.9	979.6	987.1	1009.70 (20/3)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	848.3	843.0	834.0	839.1	848.30 (30/4)	748.50 (8/1)
SBC General (1/4/87)	658.1	655.8	652.7	656.8	658.10 (30/4)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4496.19	4513.19	4523.95	4486.45	5391.63 (30/1)	4405.44 (13/4)
THAILAND						
Bangkok SET (30/4/75)	760.97	756.98	768.11	774.52	832.39 (7/4)	711.81 (3/1)
WORLD						
M.S. Capital Intl (1/1/70) (S)	494.0*	493.6	491.6	491.0	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	950.82	952.39	947.28	949.12	952.39 (29/4)	878.31 (2/1)

**Saturday April 25: Taiwan Weighted Price: 4441.57, Korea Comp Ex. 594.88.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 30 April 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	3.8m	850	+1	Minebea	3.0m	513	+2
Ishihara Sangyo	3.7m	357	+22	Mitsubishi Hvy	2.8m	589	+5
Toshiba Corp	3.3m	634	+1	Fuji Hvy Inds	2.8m	918	-8
Nippon Mining	1.2m	432	-10	Chiyoda Corp	2.4m	1,480	+10
Matsushita	3.0m	1,440	+30	NPN Steel Corp	2.2m	309	309

3:00 pm prices April 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	12¼	AAR Corp x	0.48	3.4	18	251	13⅞	13⅝	13⅞	+⅛
26	20⅞	A L Labs A	0.18	0.8	108	100	23	22½	22¾	-⅜
69¾	58	AMP Inc x	1.52	2.6	24	1577	59⅜	59	59⅛	-¼
[illegible]	[illegible]	AMR			33	15872	66¼	65	66¼	-¼
2⅞	1⅞	ARX			2	65	2	2	2	
53½	41	ASA	2.00	4.9	11	300	41¼	d40¾	41	
68⅞	58¾	Abbott Lab	1.20	1.8	25	5009	66¾	65½	66½	+1
13⅞	12	Abitibi Pr	0.43	3.5		8z100	12¼	12¼	12⅜	
11⅝	10⅛	ACM Gvt In	0.96	9.1		373	10½	10⅜	10½	
10⅞	8⅛	ACM GvOpp	0.80	8.4		30	9½	9⅜	9½	+⅛
9½	8½	ACM Gvt Sp x	0.80	9.1		283	8¾	8⅝	8¾	
11¼	10⅛	ACM Gvt Se x	0.96	9.4		391	10⅜	10¼	10¼	-⅛
9⅜	8⅞	ACM Man	0.95	10.4		471	9¼	9⅛	9⅛	+⅛
12⅞	10⅝	ACM Managd	1.08	9.9		93	11	10⅞	10⅞	-⅛
11¼	7	Acme Cleve x	0.40	5.1	34	67	8	7¾	7⅞	
6¾	4½	Acme Elect			4	45	5½	5⅜	5⅜	-⅛
33¼	18⅞	Acuson			13	696	20¾	20⅜	20¾	+⅛
19½	16⅛	Adams Expr	0.48	2.6	0	60	18¾	18⅝	18⅞	+⅛
15½	13	Adobe12Pf	2.40	16.7		10	14⅝	14⅝	14⅜	
5¾	4½	Adobe Res			2	11	5⅛	5⅛	5¼	-⅛
49⅛	39	Ad Micro	3.00	7.0		255	43¼	42¾	43	+¼
21½	14⅞	Ad Micro P	3.00	17.1	7	1028	17⅝	16⅝	17½	+¼
9⅛	5	Advest Grp	0.16	2.4	67	277	6⅞	6⅞	6⅞	
71⅛	67⅛	Aegon ADR	1.50	2.1		8z100	69¼	69¼	69⅞	
47	39	Aetna Lf x	2.76	6.5	9	1589	43	42¾	42½	-⅛
12	8⅞	Affil A	0.24	2.3	11	1044	10½	10¼	10⅜	
32⅞	24	Aflac	0.44	1.6	14	1577	28⅞	28	28⅛	+⅛
19⅞	15⅛	Ahmanson	0.88	5.4	7	1560	17¼	16⅜	16⅜	-⅞
22½	12¼	Aileen Inc			10	120	12⅞	d12¼	12¾	
49½	36½	Air Pr Chm	0.80	1.7	20	1112	47¼	45⅞	46⅜	-⅜

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chg
88½	68⅞	Wrigley	1.00	1.4	22	157	72½	72⅛	72⅛	-½
16½	12⅞	Wyle Labor	0.28	1.9	15	326	14⅞	14⅝	14⅝	-⅛
20¼	16⅛	Wynns Int	0.60	3.0	16	144	20	19⅝	19⅞	+⅛

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chg
82⅛	66½	Xerox	3.00	4.0	16	949	74⅛	73⅞	74	-½
85½	60½	Xerox4.125				z100	82¼	82¼	82½	-½
25½	24⅞	Xtra 1.94	1.94	7.6		37	25¾	25¾	25½	
37	28½	Xtra Corp	0.80	2.5	13	683	32¼	31⅞	32	+⅛
27	25¼	Yankee Egy	1.60	6.1	12	69	26¼	26⅞	26¼	+¼
1½	⅜	Zapata			28	945	1⅛	1	1⅛	
11½	6¾	ZenithElec				3	927	7⅝	7½	7⅝	+⅛
17¼	14½	Zenith Nat x	1.00	6.1	7	206	16½	16¼	16½	+⅛
6⅞	6	Zenix Inc x	0.85	12.6		124	6¾	6⅝	6¾	+⅛
13⅝	11⅛	Zero Corp	0.40	3.5	17	282	11⅝	11⅜	11½	-¼
38	32⅞	Zurn Ind	0.88	2.6	16	84	33⅞	33½	33⅞	+½
14⅛	12⅞	Zweig Fund	1.16	9.0		222	13	12⅞	12⅞	-⅛
11	9⅞	Zweig Totl	1.00	9.8		427	10⅛	10⅞	10½	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices April 30

NASDAQ NATIONAL MARKET

3:00 pm prices April 30

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		29	902	27¼	25¾	26¾	+⅛
Xoma Corp			6	7238	14¼	13¾	14⅛	+⅜
Yellow Fr	0.94	24	638	30¼	30	30⅛	-⅛
York Rsch		42	1720	5⅛	4⅞	5⅛	+⅛
ZionsUtah	1.44	10	6	51¼	49¾	51	+½

AMERICA

Dow stronger on signs of economic recovery

Wall Street

FURTHER evidence of economic recovery helped US equities to make solid gains yesterday morning, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial was 12.08 higher at 3,345.26. Trading was moderately active, with more than $128m shares changing hands at 1 pm.

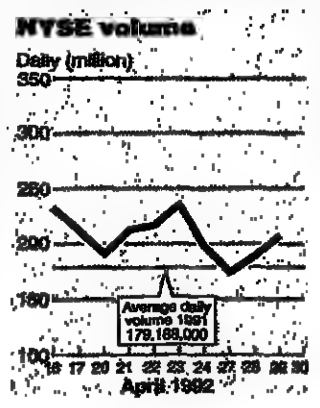
Advancing issues led declines by a ratio of 5 to 3. The Standard & Poor's 500 was 1.74 higher at 413.76 at 1 pm and the Nasdaq composite of secondary stock was up 6.54 at 576.48. On Wednesday, the Dow climbed 25.26 to 3333.18.

Investors were encouraged by an unchanged initial jobless claims for the week ended April 18. The market had expected a slight increase in the number.

In addition, the Chicago area purchasing managers report provided further evidence of expansion in the manufacturing sector in April.

Among featured stocks, General Re, the biggest US reinsurance group, was one of the biggest losers of the morning. Shares tumbled $8½ to $79⅞, below its previous 52-week low of $85, after the company reported a fall in operating profits from $135.1m to $116.5m for the first quarter and warned that underwriting results were likely to be unsatisfactory for the balance of the year.

General Re's results cast a pall over the whole insurance sector, with Travelers sliding $⅛ to $20⅞, Cigna losing $¼ to $51⅞, Aetna Life & Casualty easing $⅜ to $42⅞ and American International Group falling $⅜ to $83⅛. Disappointing first quarter results from Chrysler, the US car company, depressed the company's shares.



The stock edged $¼ lower to $19⅞ in active trading after Chrysler turned in a first quarter loss of 7 cents a share, including a one-time gain of 75 cents. A year earlier, Chrysler had a loss of $2.66 including one-time charges of $1.14.

Trading was also active in Ford and General Motors, which respectively fell $⅛ to $45⅞ and $⅛ to $42.

In the airline sector, UAL, parent of United Airlines, rose $1 to $125 in spite of a first quarter loss of $3.86 a share by the parent company. A year earlier, UAL had a loss of $7.05 a share. AMR, parent of American Airlines, eased $⅛ to $66⅝ while Delta Air Lines lost $½ to $59⅞.

Strong third quarter earnings from Duracell, the battery manufacturer, helped the company's stock climb $2 to $26⅞.

The company had profits of 4 cents a share against a loss of 33 cents a year ago.

Strength in the technology sector helped over-the-counter stocks outpace the big board.

Apple Computer firmed $2½ to $59⅛, Microsoft rose $1¼ to $112¼ and Seagate Technology rose $⅛ to $15.

Canada

TORONTO stocks remained moderately weaker in slow midday trading, ahead of the Ontario budget for 1992/93 due to be released later in the day.

The TSE 300 composite index was off 6.5 at midday at 3,350.5. A moderate rally in New York pushed the Dow Jones Industrial Average within a few points of the TSE 300, the closest the two have been since 1977.

Nova Corp rose C$¼ to C$8⅝ while Alcan eased C$⅛ to C$25.

Novelty value helps give new value

Post-revolution, post-war, Tehran's exchange is reinvigorated, says Colin Barraclough

After a moribund decade on the post-revolutionary shelf, Tehran's stock exchange is enjoying a new lease of life as the government proceeds with its privatisation programme.

Last week the government announced that it would sell off hundreds of state-owned companies during the next two years, and domestic investors will be allowed to buy up to 34 per cent of the equity in each. The share offerings are also open to foreigners, who will be able to buy up to 25 per cent of the share capital.

At present, 129 companies are listed on the exchange – mostly newly privatised chemical, textile or other industrial companies. A further 200 companies have applied for a listing, and officials say 50 of these will be accepted. In order to qualify for a listing, a company must be both Iranian and profitable.

The government's privatisation drive, part of its five-year plan launched in the 1989-90 year, has attracted more than 100,000 new investors a year to the Tehran stock exchange.

In the year to March 31, 1992, turnover reached IR478bn ($333m), seven times the previous year and 40 times the 1989-90 figure. The Tepix index rose by 106 per cent during the year to March 31, 1992, with some shares gaining more than 200 per cent.

This surge in interest is partly due to the novelty of share ownership in post-revolutionary Iran. Trading on the stock market virtually stopped in September 1980, at the outbreak of Iran's eight-year war with Iraq, when the Iranian government put its economy on a war footing.

Traditionally, Iranians have sought to trade in tangible goods, rather than financial paper, since Iran's Islamic banks pay no interest and distribute only a small percentage of their overall profits.

One third of the government's sales will be offered to employees. Workers in recently privatised companies make up a sizeable proportion of the stock exchange's private investors. Those who need the money sell quickly, but increasingly they are keeping their investments and hoping to see them increase in value.

President Rafsanjani: now private brokerages allowed

The stock market is open to all and, in a country where gambling and betting are illegal, individuals see the stock exchange as their only chance for a flutter. Women investors are quite prominent. "Here, women are the same as men," says Mr Abdullahi Pervaiz, a trader on the exchange. "Their money is just as good."

Indeed, the sexes mingle in the public gallery, where hard-core investors rub shoulders with economics graduates, eager to see the mechanics of capitalism at work.

The stock market has levelled off recently, but officials expect a renewed rally, if President Ali Akbar Hashemi Rafsanjani's government abolishes the remaining restrictions on stock market trading.

Last week, in an encouraging sign of flexibility, President Rafsanjani allowed private brokerages on to the trading floor for the first time. Previously, all trading was conducted by large banks and a few individual brokers. The new regulations allow private firms to develop across the country, giving more access to retail investors.

Mr Rajaie Salmassi, secretary general of the stock exchange, says that foreigners, mainly from the Gulf countries, but increasingly from Europe, are interested in returning. Some foreign companies still own stock bought before the revolution.

The exchange still uses an "open outcry" system and only trades for two hours a day in a cramped old building in central Tehran. Most investors have to come to the exchange in person, and since brokers have not yet got to grips with the new financial transactions, the trading pit is ringed with advisers. However, in May the exchange will move to new, computerised offices nearby, which will provide room for expansion.

ASIA PACIFIC

Nikkei falls on light arbitrage unwinding

SHARE PRICES finally closed lower on small-lot arbitrage unwinding after the Nikkei average fluctuated amid low volume as most investors remained inactive due to the Golden Week holidays, *writes Emiko Terazono in Tokyo.*

The 225-issue average lost 136.69 to 17,390.71 after a day's high of 17,581.79 and low of 17,363.81. The index was buoyed at the start of the session by buying prompted by the overnight strength in New York. However, index and arbitrage-related selling later depressed the Nikkei.

Volume decreased to 220m shares from Tuesday's 250m. Activity thinned out in the middle of the holiday week: Tokyo's financial markets were closed on Wednesday and will be shut next Monday and Tuesday for national holidays.

Declines led rises by 576 to 360, with 202 issues unchanged. The Topix index of all first section stocks shed 1.54 to 1,317.46. In London the ISE/Nikkei 50 index eased 2.49 to 1,072.63.

Blue chip high-technology issues were firm on light buying by foreign investors. Hitachi, the most active issue of the day, gained Y1 to Y850 and Matsushita Electric Industrial added Y30 at Y1,440.

Leading large-capital stocks were sought by investment trust funds targeted for large-lot investors. Nippon Steel put on Y4 to Y309 and Mitsubishi Heavy Industries Y5 to Y585.

Ishihara Sangyo, a chemical manufacturer, closed Y22 higher at Y357. The issue has been popular recently among short-term traders buying on margin.

Nippon Telegraph and Telephone retreated Y1,000 to Y635,000 on profit-taking. The stock gained ground on Tuesday on reports that the Ministry of Finance was considering a cut in the issue's minimum trading unit.

Banks involved in the rescue plan for the ailing Toyo Shinkin Bank, a credit co-operative at the centre of a loan fraud scandal last year, rose as traders said the negative factors had already been discounted into share prices.

Industrial Bank of Japan improved Y20 to Y1,850 and Fuji Bank Y10 to Y1,400. Both will forfeit 70 per cent of claims held against Toyo, and IBJ will provide Y50bn of low interest loans to Sanwa Bank, another leading commercial bank which will acquire a majority of Toyo's assets.

In Osaka, the OSE average dipped 65.90 to 19,806.56 in volume of 15.6m shares. Nintendo, the video game maker, fell Y200 to Y10,400 and Ono Pharmaceutical lost Y100 to Y5,780.

Roundup

A THREE-MONTH high was attained by Australia, while other markets in the Pacific Basin were generally stronger.

AUSTRALIA was boosted by expectations of a cut in interest rates next week. The All Ordinaries index added 26.1 at 1,655.9, but closed off the day's high of 1,661.6. Turnover came to A$355.6m.

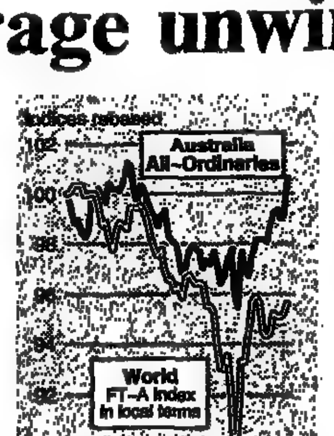
Banks were strong: National Australia moved ahead 10 cents to A$7.68, Westpac 7 cents to A$4.05 and ANZ 8 cents to A$4.44. BHP climbed 24 cents to A$14.18 and CRA rose 32 cents to A$14.38.

HONG KONG saw early gains eroded by profit-taking. The Hang Seng index ended just 7.16 up at 5,369.57 in turnover of HK$2.78bn.

Second line stocks were the most active: Tian An China rose 5 cents to HK$3.425 and Peregrine 7.5 cents to HK$2.20.

TAIWAN declined after the US said it would impose trade sanctions unless efforts were made to reduce piracy of US intellectual property rights. The weighted index lost 17 points to 4,496.19 in turnover of T$15.9bn.

The electronics sector was particularly weak because of its reliance on US exports. Acer Computer lost 30 cents to T$22, Microtek International T$2.50 to T$52.50 and United Micro Electronics 80 cents to T$45.40.



SINGAPORE closed higher. The Straits Times Industrial index advanced 28.99 to 1,465.95.

Banks and shipyard issues led the gains, with Far East Levingston Shipbuilding firming 25 cents to S$5.55.

SEOUL was stronger in heavy trade. The composite index put on 3.85 to 615.97 in turnover of Won99bn.

Goldstar appreciated Won600 to Won12,100.

MANILA's composite index rose 10.78 to 1,229.92 in combined turnover of 38m pesos.

Philippine Long Distance Telephone receded 20 pesos to 935 pesos after a steep fall in the US.

BOMBAY recovered after two consecutive days of falls. The BSE index gained 213.31, or 5.83 per cent, to 3,887.72.

KUALA LUMPUR finished higher on bargain hunting. The composite index advanced 6.51 to 591.63 in turnover of M$115m.

NEW ZEALAND moved ahead, helped by strength in Fletcher Challenge. The NZSE-40 index ended 28.28 to the good at 1,484.04 in turnover of NZ$38.17m. Fletcher was up 20 cents at NZ$3.47.

SOUTH AFRICA

CONTINUED demand for blue chips lifted Johannesburg, taking the week's gains to 2.4 per cent. The overall index rose 24 to 3,453 and the industrial index was 19 higher at 4,311. The gold index was up 7 at 1,017 on firmer bullion prices.

EUROPE

Continent subdued ahead of the May Day holiday

Trading was subdued ahead of the closure of many bourses today for the May Day holiday. Amsterdam was closed yesterday for the Queen's Birthday, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Apr 30

Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1175.11	1175.02	1174.18	1174.58	1173.93	1173.99	1174.73	1174.96
Day's High 1175.22				Day's Low 1173.32			

Apr 29	Apr 28	Apr 27	Apr 24	Apr 23
1174.59	1169.61	1169.59	1167.02	1169.11

Base value 1000 (26/10/90).

FRANKFURT failed to get a *boost from better-than-expected* inflation figures. The DAX index lost 1.88 to 1,734.08 for a 0.6 per cent fall on the week. The FAZ index, calculated at midsession, was down 2.1 at 700.99, a decline of 1.4 per cent on the week. Turnover *fell* to DM5.1bn from DM6bn.

PWA fell DM3 to DM243 after saying that its 1991 dividend would remain unchanged at DM9.

Preussag closed down DM3.50 at DM405.50 after reporting little change in its first half 1991/92 group net *profit and saying that it was* confident of paying an unchanged dividend of DM10.

Hoesch, which also intends to pay an unchanged dividend of DM10 for 1991, gained DM1.60 to DM262.

Basf rose DM3.70 to DM253 before going ex-dividend after the close. In London it closed at DM237.50/DM239.

PARIS turned lower in the afternoon as traders squared their books ahead of the long weekend. The CAC-40 index fell 5.58 to 2,031.14, up 2.3 per cent on the week, in turnover *of FFr2.7bn.*

Hachette, Matra, MMB, and Publications Filipacchi were all suspended pending an announcement next Tuesday. Analysts said this was likely to refer to plans to restructure *Hachette's capital after its* heavy losses linked to La Cinq, the bankrupt television station. Details of previously released plans to merge Matra and Hachette were also expected.

Paribas rose FFr2.80 to FFr431.8 following Wednesday's announcement of a reorganisation and the sale of a controlling stake in Ciments Français. Shares in Ciments Français remained suspended.

MILAN saw a big drop in shares controlled by the Pesenti family after news of *Italcementi's planned capital* increase to finance its purchase of a controlling stake in Ciments Français. The Comit index eased 0.78 to 502.88, down 1.1 per cent on the week, in turnover estimated at near Wednesday's L96bn.

Italcementi, Italmobiliare, and other shares in the group were briefly suspended because of their excessive falls. Italmobiliare eventually closed L4,800 or 8.9 per cent lower at L49,050 while Italcementi dropped L2,050 or 12.1 per cent to L14,850.

Stet was unchanged at L2,021. After the close the state holding company, IRI, said it would offer 350m ordinary shares in Stet warrants for a further 175m ordinary and 350m savings shares in June.

ZURICH rose in active trading. The SMI index closed up 6.0 at 1,880.2 for a 0.3 per cent gain on the week.

Brown Boveri weakened as investors moved into Nestlé. Brown Boveri bearers lost *SFr80 to SFr4,070 while Nestlé* bearers and registered shares advanced SFr60 and SFr50 to SFr9,830 and SFr9,790 respectively.

STOCKHOLM closed marginally higher, in spite of Volvo and SKF going ex-dividend. The Affärsvärlden general index rose 0.6 to 981.5, down 0.6 *per cent on the week.*

Volvo B unrestricted shares closed ex-dividend at SKr420, down a net SKr2.50, while SKF B unrestricted shares rose a net SKr2.25 to SKr107.

VIENNA was weighed down *for a second day by the oil* company OMV which ended at a new 1992 low of Sch860, down Sch30, after news that the company lost Sch300m in the first quarter and would not be able to match its 1991 results. The ATX index fell 7.96 to 960.13.

MADRID concentrated on Telefónica after reports that it *would increase tariff rates by* 2.6 per cent, far below forecasts. Its shares fell Pta25 at Pta1,050. The general index was down 1.06 at 248.73, a fall of 0.5 per cent on the week.

BRUSSELS's Bel-20 fell 13.79 *or 1.1 per cent to 1,192.79, down* 2.4 per cent on the week. Petrofina bucked the trend, climbing BFr50 to BFr10,900.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

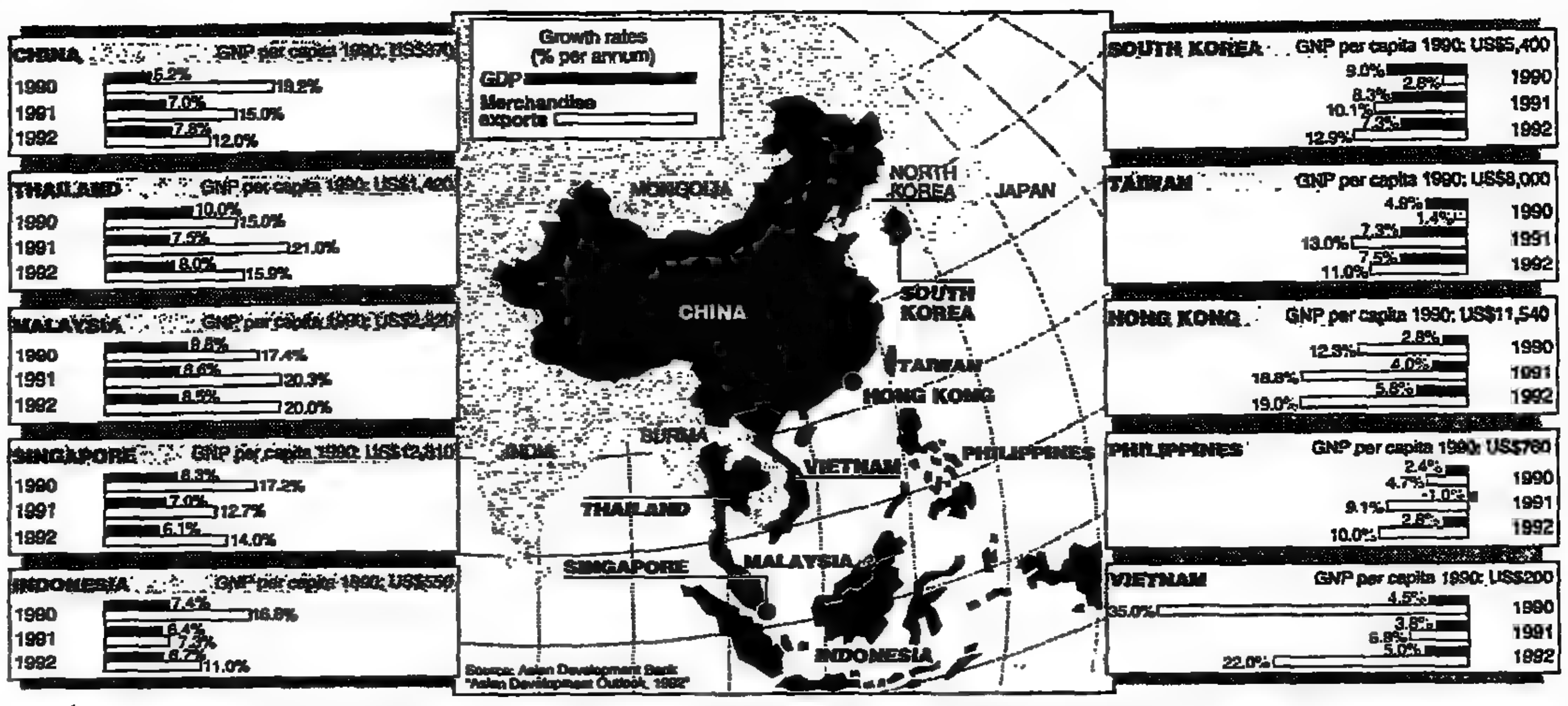
NATIONAL AND REGIONAL MARKETS	WEDNESDAY APRIL 29 1992								TUESDAY APRIL 28 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	148.38	+2.2	124.25	125.17	127.79	129.97	+1.7	4.24	145.23	121.30	122.33	125.00	127.79	153.68	140.94	144.82
Austria (19)	164.42	−0.5	137.68	138.70	141.60	141.62	−0.4	2.05	165.26	138.04	139.20	142.34	142.17	186.70	162.62	201.36
Belgium (46)	138.16	−0.4	115.71	116.55	119.00	116.20	−0.3	5.23	138.80	115.93	116.90	119.46	116.55	145.19	135.87	137.99
Canada (115)	126.71	+0.8	106.10	106.88	109.12	109.55	+0.7	3.38	125.69	104.98	105.86	108.17	108.80	142.12	125.60	138.47
Denmark (35)	229.75	+0.0	192.39	193.81	197.86	200.30	+0.1	1.85	229.67	191.84	193.45	197.68	200.07	273.94	226.81	238.56
Finland (15)	77.40	+0.4	64.81	65.29	66.66	73.07	+0.2	2.04	77.06	64.38	64.92	66.34	72.93	89.80	73.64	113.53
France (106)	160.69	+1.3	134.56	135.54	138.37	140.78	+1.4	3.34	158.60	132.47	133.58	136.49	138.88	160.69	148.06	135.94
Germany (65)	117.56	−0.6	98.45	99.18	101.24	101.24	−0.5	2.28	118.24	98.76	99.61	101.77	101.77	122.84	114.67	111.10
Hong Kong (55)	222.04	−1.2	185.93	187.30	191.23	221.09	−1.1	3.68	224.67	187.66	189.24	193.38	223.53	224.67	176.36	149.70
Ireland (16)	162.69	−0.3	136.23	137.24	140.11	142.25	−0.2	3.72	163.14	136.26	137.41	140.41	142.51	173.71	151.78	159.84
Italy (78)	70.85	−0.9	59.33	59.76	61.01	65.93	−0.8	3.48	71.48	59.70	60.20	61.52	66.45	80.86	68.92	77.59
Japan (473)	97.61	−0.1	81.74	82.34	84.07	82.34	+0.0	1.04	97.75	81.65	82.34	84.15	82.34	140.95	88.70	141.50
Malaysia (68)	237.42	+0.4	198.81	200.27	204.46	230.84	+0.0	2.79	236.37	197.43	199.08	203.43	230.77	250.18	212.49	234.09
Mexico (18)	1654.78	−2.0	1385.69	1395.90	1425.11	5572.49	−1.9	1.05	1687.93	1409.67	1421.74	1452.79	5683.21	1789.77	1376.91	878.88
Netherland (25)	155.21	+0.2	129.97	130.93	133.67	132.04	+0.2	4.23	154.98	129.43	130.52	133.36	131.76	156.46	147.66	141.96
New Zealand (14)	43.62	−0.4	36.52	36.80	37.57	42.95	−0.7	6.42	43.80	36.59	36.90	37.70	43.23	48.52	42.01	49.93
Norway (23)	174.85	+1.9	146.40	147.48	150.57	153.54	+1.9	1.88	171.64	143.37	144.58	147.74	150.62	192.95	161.26	190.84
Singapore (38)	209.49	+1.1	175.42	176.72	180.41	159.68	+1.1	2.04	207.19	173.06	174.52	178.33	157.97	228.43	192.76	205.15
South Africa (61)	226.11	+1.0	189.34	190.73	194.72	171.91	+1.0	2.95	223.83	186.96	188.53	192.65	170.18	263.60	203.18	206.11
Spain (50)	148.26	+0.0	124.15	125.07	127.68	116.75	+0.1	5.19	148.53	123.69	124.94	127.66	116.64	160.47	146.86	156.43
Sweden (25)	183.19	−0.1	153.40	154.54	157.77	162.17	+0.0	2.79	183.31	153.11	154.41	157.78	162.15	190.37	173.09	178.86
Switzerland (59)	99.97	+0.6	83.71	84.34	86.11	94.24	+0.8	2.27	99.38	83.01	83.71	85.54	93.46	104.22	95.99	93.78
United Kingdom (228)	189.46	+0.2	158.64	159.79	165.14	158.64	+0.5	4.68	189.01	157.87	159.15	162.66	157.87	190.06	165.65	173.66
USA (522)	167.89	+0.8	140.59	141.63	144.59	167.89	+0.8	2.85	166.64	139.19	140.36	143.43	166.64	171.66	160.92	154.06
Europe (790)	149.15	+0.2	124.89	125.82	128.46	127.58	+0.3	3.85	148.88	124.35	125.40	128.14	127.11	150.58	139.31	139.60
Nordic (88)	171.91	+0.2	143.96	145.02	148.05	145.75	+0.3	2.23	171.55	143.25	144.50	147.65	145.33	188.52	169.66	176.77
Pacific Basin (717)	103.62	−0.1	86.77	87.42	89.24	87.91	+0.0	1.43	103.39	86.61	87.34	89.24	87.88	141.97	94.40	141.60
Euro – Pacific (1507)	122.03	+0.1	102.19	102.93	105.09	104.26	+0.2	2.01	121.96	101.87	102.72	104.97	104.07	145.21	113.80	141.13
North America (637)	165.30	+0.8	138.42	139.46	142.39	163.92	+0.7	2.97	164.07	137.04	138.21	141.24	162.70	169.69	158.70	153.00
Europe Ex. UK (562)	125.20	+0.1	104.84	105.64	107.85	109.61	+0.2	3.22	125.02	104.42	105.32	107.63	109.35	129.79	121.81	118.95
Pacific Ex. Japan (244)	162.88	+0.5	136.39	137.42	140.29	145.02	+0.3	3.76	162.13	135.42	136.58	139.55	144.64	162.88	149.00	141.79
World Ex. US (1701)	124.34	+0.1	104.12	104.90	107.09	106.46	+0.2	2.63	124.24	103.78	104.66	106.94	106.25	146.91	116.45	142.11
World Ex. UK (1995)	133.25	+0.4	111.58	112.41	114.77	122.04	+0.4	2.51	132.76	110.89	111.83	114.27	121.53	150.58	127.21	142.29
World Ex. So. Af. (2162)	137.53	+0.3	115.16	116.02	118.45	125.03	+0.4	2.76	137.05	114.47	115.45	117.97	124.51	153.05	130.04	144.69
World Ex. Japan (1750)	160.71	+0.5	134.57	135.58	138.42	150.23	+0.6	3.31	159.88	133.54	134.68	137.63	149.39	161.90	153.20	148.35
The World Index (2223)	138.09	+0.4	115.64	116.49	118.94	125.45	+0.4	2.76	137.60	114.94	115.91	118.44	124.92	152.70	130.86	145.09

Latest prices were unavailable for this edition. Japanese market closed April 29.

BUILDING FOR ASIA'S FUTURE

The key to growth

Asia's expansion has outstripped the ability of its infrastructure – communications, transport and energy capacity – to cope. But the need to spend on improvements comes as budget deficits are growing and aid from industrialised countries is becoming ever harder to obtain. Alexander Nicoll reports



THE project to take Asia, the world's fastest-growing region, to a *new stage of development* in which living standards rival those of the industrialised world. The cost: more than $600bn in the principal developing countries of north and south-east Asia alone.

Asia's rapid expansion has outstripped the ability of its infrastructure – transport, energy and communications capacity – to cope. Cities are choking, ports cannot handle the increased flow of goods. Growth has also produced labour shortages in some areas and has raised environmental concerns.

Crawling traffic, restricted power supplies and lack of telephone lines are not just irritations. They restrict the flow of goods and services and reduce the potential of economies to grow.

Just as important for economies which have grown principally because of private investment in manufactured exports, infrastructural bottlenecks are *discouraging foreign companies* from making new investments. The businessman who, after a long flight, is delayed by airport crowds and a slow taxi ride, and then cannot get a telephone line, will begin to wonder whether he might more profitably spend his company's time and money elsewhere.

The Asian Development Bank, in its 1992 outlook for developing member countries, says: "The greatest challenge facing governments in the 1990s is to find adequate resources for the provision or promotion of physical infrastructure, human resource and technology development, and environmental protection."

Physical infrastructure, the *ADB says*, "has become a binding constraint among the rapidly-growing newly-industrialising economies and south-east Asian economies, with the possible exception of Singapore."

Governments have recognised that the problem needs attention. Fiercely competing *with each other for investment* and export markets, they realise that their standing among their neighbours depends a lot on their economic progress. Their hold on domestic political power has also relied to a large extent on their countries' growing prosperity.

Public spending on infrastructure is an important instrument of social policy, even in economies which have been driven generally by private sector enterprise. In Taiwan, for example, the aim is to attract people out of the main cities into new development areas. In Japan, the ambitious airport being built on reclaimed land off Osaka aims to bring business to the surrounding region.

The spending is also an economic policy instrument, useful at a time when recession in some industrialised countries has dented export growth for Asian countries. But in some of them it will raise questions about the durability of economic growth. Governments cannot afford not to improve infrastructure, but the effort *may risk overheating* and take fuel away from the engine of export-led growth.

The ADB notes that the need to spend comes while budget deficits are growing and aid from industrialised countries is becoming harder to obtain.

Can all this expenditure be *afforded?* Asian countries are generally in a better position to pay than most others. But there are risks involved

The *newly-industrialising* economies of Hong Kong, Singapore, Taiwan and South Korea, with per capita gross national product averaging $10,000, have been the most successful at following in Japan's footsteps towards industrialisation. Behind them come Malaysia, Thailand and Indonesia which saw a boom in foreign investment in manufacturing in the late 1980s. Coming up *fast are southern China* and Vietnam, with low labour costs attracting manufacturers to invest just as they did in the now richer neighbouring countries in previous *decades*.

All these countries have targetted significant infrastructural schemes with the aim of providing the base for a shift to the next level of development.

Some of them already have a highly developed infrastructure. Hong Kong's growth has depended on continual reclamation of land and provision of transport systems ahead of time. The world's largest airport construction project – with associated expressways, railways, bridge, tunnel and container terminal – is an important symbol of confidence in the territory's prosperity as a hub for southern China after Beijing assumes sovereignty in 1997.

Singapore, also with a relatively small area, has planned its economic growth. Construc*tion of the roads, telecommuni*cations and other systems to support the economy have been part of the planning. New projects will seek to stay ahead of needs.

Larger countries, however, cannot predict their needs so easily. They have to counter established bottlenecks with projects which exceed current demand.

The most ambitious of these by far is Taiwan, which intends to spend more than $300bn on infrastructure by 1996. The Kuomintang Nationalist government's extraordinary six-year plan, the central plank of its policies, includes social development as well as construction projects.

South Korea's planned projects total half Taiwan's, also a huge *amount even though the* Korean economy is seriously overheated. Even Japan, with a well-advanced infrastructure, has pledged to spend more than last year's gross national product on improvements over the next *decade*, with the aim of boosting general living standards to levels compatible with *its status as a leading* industrialised country.

Thailand, despite its continuing dynamic economic growth, is the best example of how much-needed infrastructural spending can get caught up in politics and stall. Even after years of the notorious Bangkok traffic problem, there is still no *clear idea of how it will be* dealt with. Yet the government has ambitious programmes.

Malaysia, which Dr Mahathir Mohamad, the prime minister, plans to be a developed country by the year 2020, has less serious problems but they bite precisely in the areas where foreign investment has been concentrated. Indonesia is suffering in similar ways.

The pressure on them to provide adequate roads and other support will come increasingly from competition from southern China and, eventu*ally, Vietnam, which offer* plentiful, cheap, hard-working labour forces for manufacturing companies and can still easily qualify for concessional finance to improve their infrastructure.

Hong Kong and Taiwan manufacturers are investing heavily in south China and *Deng Xiaoping, China's para*mount leader, has talked of Guangdong province as a new "dragon". When the US embargo on Vietnam is lifted, international institutions such as the World Bank and ADB are likely to pour money into the country for basic projects.

Spending on infrastructural *improvements in Asia thus* offers the potential for a bonanza for construction, engineering, communications and equipment companies around the world. The extent to which they can participate will vary considerably between countries and industrial sectors. Companies which can provide technology not available locally, for example in telecommunications, will clearly be at an advantage.

Japan and Korea can be expected to handle the bulk of their needs without outside *contractors, although there are* opportunities in Korea for advanced technology and design work on, for example, airports and power stations. Taiwan is actively seeking foreign contractors. Malaysia has used foreign advisers on, for example, its north-south expressway project.

Can all this expenditure be afforded? Asian countries are generally in a better position to pay than most others. But there are risks involved. Public finances are likely to be stretched just as economies face external pressures. The aim will be to seek private rather than public investment wherever possible. *Projects* may be spread out over a longer period than currently targeted, especially in Taiwan. But the message which most countries have grasped is that they have to make the commitment to better infrastructure if their dynamic growth is to continue.

IN THIS SURVEY

☐ Editorial production: Phil Sanders

☐ REGIONAL ECONOMIC PROSPECTS

A difficult balancing act

WHILE industrialised economies have been dawdling or going backwards in the past year, Asia's have continued to motor ahead. Developing Asia as a whole produced a growth rate of 5.8 per cent in 1991, and the pace in China, Indonesia, Malaysia, Singapore, South Korea, Taiwan and Thailand was above the average.

The prospect is for accelerating growth, according to the Asian Development Bank (ADB), which is forecasting a moderation in some countries but an average growth of 6.5 per cent this year and 6.7 per cent in 1993.

The forecast is principally based on expectations of a recovery in the world economy and trade, with exports continuing to provide impetus to Asian growth. But a strong stimulus will come from government spending to ease infrastructural bottlenecks.

Hong Kong: the role of the state is growing because of the HK$100bn airport construction project

All of the main Asian developing countries except Hong Kong and Taiwan did suffer a slowdown in growth last year. But they showed greater resilience than they might have hoped. There are several reasons for this.

First, they have mostly diversified their export markets considerably so that they are far less dependent on the US than they were. According to the Amex Bank Review, the share of exports going to the US has *dropped from about* one third in 1985 to one fifth in 1991.

Meanwhile, the proportion of trade which Asian countries do with each other has grown sharply. Intra-Asian trade accounts for 48 per cent of Malaysia's exports, 32 per cent of Singapore's, and 26 per cent of Taiwan's, according to the Review.

The growth of trade within Asia raises the prospect that the region can to some extent develop endogenously, independently *of broader economic* trends in the rest of the world.

The idea becomes exciting on examination of several growing economic zones in which complementary capacities – finance, management, technology and cheap labour – are put together across borders. The most striking of these is centred around Hong Kong and combines investment and management from Hong Kong and Taiwan, labour in southern *China* and the export *facilities* of Hong Kong.

Such zones generate not only export potential but also growing prosperity and demand domestically.

However, the present sobering reality is still that Asian countries depend heavily on exports to the US and Europe *and that they remain vulnera*ble to continued sluggishness in the industrialised world – including Japan, now undergoing a significant economic slowdown. Moreover, they face a number of domestic constraints to growth.

The need for infrastructural spending, while providing the opportunity to take up the slack of weak exports, poses a considerable risk that economies will *overheat*.

Taiwan, for example, argues that its massive building programme can be funded because substantial excess private savings can be mobilised, through the purchase of government bonds, to finance the growth. The government will need to keep a close watch on inflationary pressures, with money supply already growing rapidly.

Korea has already run into economic problems, with surging domestic demand, a large trade deficit, higher inflation and rising wages. Its need to invest substantially in technology and infrastructure in order to boost export competitiveness may not sit easily with the need for tight policy to rein in the overheating economy.

The constraint on budgets will increasingly lead governments to seek alternative ways *to finance* necessary infrastructural growth, involving the private sector as much as possible. But, as the ADB notes: "Physical infrastructure is generally capital-intensive and most of it is in the public sector domain."

In Hong Kong, which has grown with the least direct government intervention, the role of the state is growing because of the massive airport *project. In Korea and Taiwan*, a shrinking government participation in manufacturing production (due to privatisation) is being balanced by the rapid rise in spending to overcome infrastructural bottlenecks, as well as on housing and other social spending.

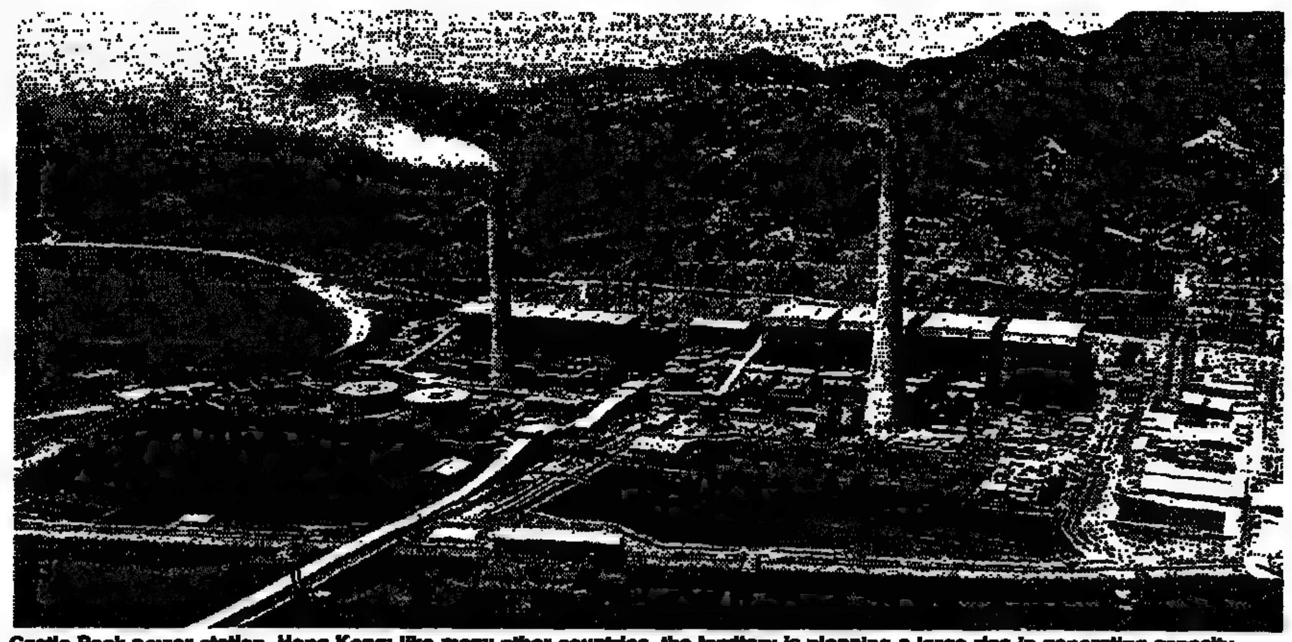
There is also the risk that public sector infrastructural projects could crowd out other demands on capital and labour and also, at least temporarily, restrict the development of export potential.

The justification for heavy spending on infrastructure will be the provision of a platform for further efficient, export-driven growth. There is no room for white elephants providing employment, said Jardine Fleming, the investment bank, in a review of infrastructure: "Virtually all the projects cited generally meet tests with respect to an acceptable marginal return on the investment. Consequently, all but the most controversial are likely to go ahead."

On the way, however, governments will need to be extremely watchful that they do not allow their economies to become overheated by domes*tic demand while export* demand is flagging. The risk is that they will have spanking infrastructural facilities, but that the export-driving foreign investment has headed for cheaper homes, that the investment in higher technology, higher value-added industry has been crowded out, and that economic growth suddenly plummets while inflation rises. It will be a difficult balancing act.

Alexander Nicoll

BUILDING FOR ASIA'S FUTURE 2



Castle Peak power station, Hong Kong: like many other countries, the territory is planning a large rise in generating capacity

THE POWER MARKET

Mindboggling prospects

POWER plant suppliers are not the kind of people to get carried away by excessive euphoria over business prospects, but there is little doubting their enthusiasm over the outlook for power generating equipment orders in Asia.

Against a backdrop of growth in populations and economies – an important combination for spurring power demand – and rather less exciting forecasts for growth in many western markets, the additional capacity requirements forecast for the region in the 1990s look almost mindboggling.

Suppliers' and official forecasts vary according to their assessment of the outlook for different technologies and their own position in individual countries. But few quibble with the assessment of the Asian Development Bank (ADB) that a further 300,000MW will be required this decade. This comes on top of installed capacity of about 500,000MW.

Siemens, the German power plant supplier, expects the Asian market, excluding India, to require 31,000MW of additional capacity each year this decade, or 37 per cent of expected world demand. Asea Brown Boveri, the Swiss-Swedish supplier, contrasts the forecast growth in the Asian market of 5-10 per cent a year with expansion of between plus and minus 2 per cent in the western hemisphere.

The cost of this investment in power plant capacity is estimated by the ADB at $500bn, and suppliers recognise this will place immense strain on countries in the region. That explains why utility privatisation and alternative means of financing such as build-own-transfer (BOT) and build-own-operate (BOO) are being actively developed in the face of some obstacles.

Despite that, there is considerable confidence among suppliers that much of what is required will get built, even if some countries' power station building programmes have to be taken with a mild pinch of salt.

Suppliers keen to help build Asia's future are acutely aware, too, that the market is changing. Apart from privatisation of utilities, economic growth in south-east Asia is taking countries out of the aid financing category, encouraging more suppliers to bid for contracts and thus enhancing competition.

Old ties that have their origin in colonial days are gradually being loosened, introducing greater fairness – although the size of power station projects will never remove *realpolitik* from the bidding process.

Change is also occurring in the type of equipment ordered by suppliers. Asian governments, admittedly somewhat behind their western counterparts, are waking up to environmental pressures, prompting a wave of orders for combined-cycle gas-turbine power plants. These are also quicker to build and will thus appeal to privatised utilities.

But the prospects are also good for suppliers of large coal-fired plants. "Coal and combined-cycle, they all play in south-east Asia," says Mr Don Kusza, appointed in February to head the Asian activities of General Electric Industrial and Power Systems.

Encouragingly, many of the planned coal-fired projects in the region include flue gas desulphurisation (FGD) equipment to reduce emissions. The World Bank, which is active in many of the region's projects, ties its participation in financing large coal-fired projects to the inclusion of such equipment.

With coal-fired orders drying up in much of the western world, this is one further reason why the big equipment suppliers give Asia such a high priority. Nuclear power, too, remains on the agenda in some Asian countries. In Taiwan, Taipower has three plants with two units each, and is considering two more units, while Korea also has an active nuclear programme.

Mr Nick Salmon, deputy managing director of GEC Alsthom's power plants division, says the prospects for the region can be summarised in two words: growth and change. Along with these external trends, however, is an important factor that is particularly relevant to power plant suppliers: an imbalance of about five to one between Asia's needs for power generating equipment and its own capacity to manufacture it.

Consequently, for the foreseeable future, it is inevitable that the western and Japanese suppliers will take a large share of the market, even if they often can only win contracts through developing partnerships with local equipment suppliers that will gradually reduce the manufacturing imbalance.

Historically, the Japanese suppliers Mitsubishi Heavy Industries, Toshiba and Hitachi, and GE of the US have supplied more than half of Asia's power capacity, followed closely by India's Bharat Heavy Electrical Limited (BHEL) and Anglo-French GEC Alsthom. The two other European suppliers, Siemens and ABB, are less entrenched historically but fighting hard to catch up.

In individual Asian countries, the market shares of foreign and domestic suppliers vary widely. In China, GEC Alsthom is comfortably the largest foreign supplier, due to the big efforts made in the past by both GEC and Alsthom in establishing high-level contacts.

Siemens, in contrast, has won very little business in China but is now preparing a strategy to penetrate the market.

Across Asia, suppliers are making similar decisions, whether in pursuit of a single contract or for securing a better permanent market presence. Judgments on subcontracting the civil work or component supply, forging technology transfer links with local plant suppliers and forming consortiums to build power stations, vary widely from one market to another.

In Indonesia, for example, there is capacity to produce heavy components locally which does not exist to nearly the same extent in Hong Kong where manufacturing is inclined more towards lighter components. On the other hand, excessive local content could jeopardise a western supplier's ability to secure financing from its own country.

Consequently, in a region whose immense needs for additional power capacity inevitably produce a strong flow of large projects costing more than $1bn, co-operation between equipment suppliers and civil engineering companies from different nations is becoming necessary to maximise financing opportunities.

Such international co-operation is set to continue, while more novel project financing methods will also become more prevalent. So far, BOT or BOO schemes have failed to make much impact, partly because many countries lack the legal framework or because of difficulties with repatriating revenues, but their attraction for countries with heavy spending commitments outside power is clear – so long as they can find investors.

Andrew Baxter

AIRPORTS

Demand for air travel outstrips capacity

SOME of the world's biggest airport construction contracts are expected to be awarded in Asia during the next 10 years.

Demand for air travel in the region, which houses some of the world's fastest-growing economies, is already outstripping capacity. Countries need to increase runway and terminal facilities if they are to avoid the kind of congestion seen recently in Europe.

According to the International Air Transport Association (Iata), Asian Pacific Rim countries will by the year 2010 account for 51 per cent of world air passenger traffic.

The number of passengers travelling by air in north-east Asia is forecast to rise at an average annual rate of 9.7 per cent between 1991 and 1995. This represents almost twice the average annual growth rate of 5.6 per cent forecast for the world as a whole. In south-east Asia, air traffic is expected to grow at 9.2 per cent a year.

Preliminary studies, design work, and some construction, is already under way on at least three large new international airports, each of which will cost several billion dollars to build. These are:

- The world's biggest airport project at Chek Lap Kok, adjacent to Lantau Island, Hong Kong. The total cost including associated infrastructure will be almost HK$100bn. Work must be completed by 1997 when Hong Kong ceases to be a British colony.

A number of large contracts for the project have already been put out to tender and will be let shortly. Maunsell and Mott MacDonald, two British consulting engineers, have been involved in providing designs and engineering studies for a large part of the project.

- Kansai International Airport at Osaka in Japan which is under construction on a man-made island in the sea. The airport, which rivals Chek Lap kok in scale, is needed to alleviate congestion at the existing Osaka airport and at Narita airport in Tokyo.

Construction of Kansai began in 1987 but is not due to be completed until the mid-1990s. It is expected to cost more than US$7bn to build.

- Malaysia has identified a 10,000 hectare site for a new international airport near Sepang, about 50km south of Kuala Lumpur, the capital. In February, it awarded a contract to provide a master-plan for the airport's development to an Anglo-Japanese consortium of the BICC engineering group; Trafalgar House, the construction, property, hotels and shipping group; GEC Marconi, the electronics group; and Marubeni, the large Japanese conglomerate. Plans must include road and rail links to Kuala Lumpur.

Other airport projects are in the pipeline. Preliminary design work has begun on a new airport, expected to cost about US$1bn, at Macau.

In Japan, there are now 11 regional airports offering international services to more than 30 European, US and Asian cities. Some of these are feeling strain

Indonesia is expanding its Soekarno-Hatto International airport where a US$550m new terminal is being built.

In South Korea, Bechtel, the large US engineering group, is preparing preliminary designs for a new international terminal at Yong Jong do Island about 50km east of Seoul. The cost of the airport is expected to be about US$4bn.

Longer term, there are proposals for new airports in the north-east and south-west of the country as part of plans to encourage greater economic development away from Seoul and the south-east of the country. About a quarter of the cost of Yong Jong do airport is expected to come from private developers, from land sales and from the award of airport concessions. Another quarter will be raised from international loans. Airports which attract international clientele and currency may provide a more attractive vehicle for private investors than road and rail schemes which rely mainly on domestic traffic.

The Pakistan government recently sought tenders from developers wanting to express an interest in privately financing building and operating two new international airports at Lahore and Peshawar.

Development of regional airports is needed to encourage growth in less-developed areas as well as to take the strain off existing international airports which may be constrained by space and environmental factors from expanding further. In Malaysia, Taylor Woodrow, the British contractor, is upgrading a small airfield at Kuantan.

In Japan, there are now 11 regional airports offering international services to more than 30 European, US and Asian cities. Even some of these regional airports are starting to feel the strain.

Some of the developments now planned will not be completed until towards the end of the century. Other schemes have still to be announced. Some may not be built. Cancellations and postponements inevitably will occur as countries' financial and economic priorities change. Nonetheless, development of new airports and expansion of existing airports is likely to increase as pressure on runways and terminals grows, providing opportunities for international contractors and designers.

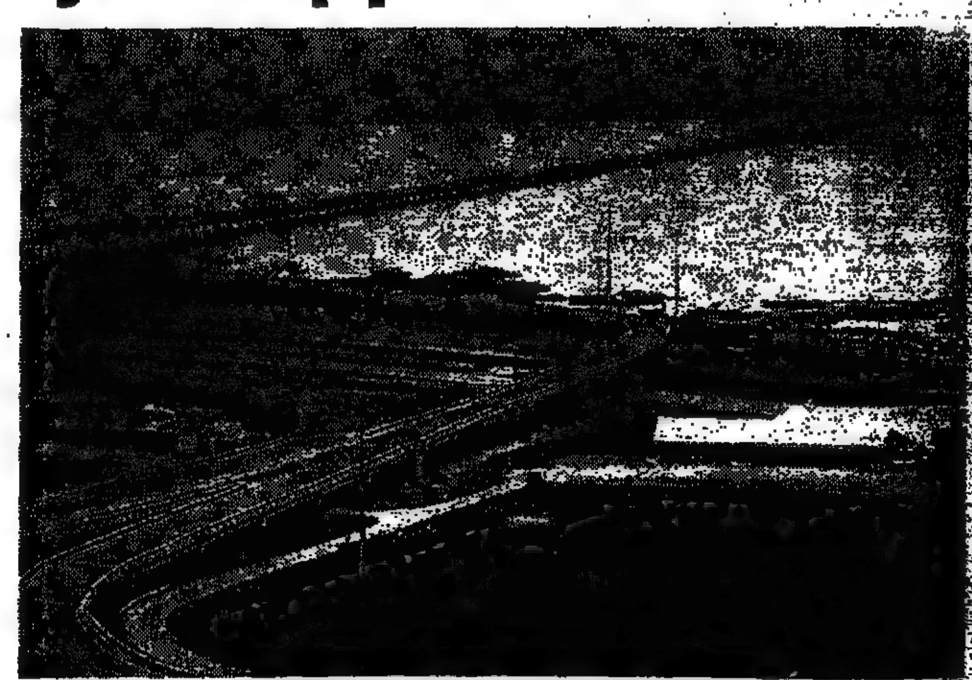
Orient Airlines Association predicts that aircraft movements in the region will have increased by 87 per cent by the year 2000. By 1995, it says, 40 per cent of airports will have reached saturation.

Building an airport is expensive and highly technical. It therefore has a much bigger export potential than many other types of construction such as roads which can be easily handled by domestic companies. Asia is likely to remain an exciting market for those companies which can provide skills and technology not produced locally.

Andrew Taylor

TRANSPORT

Plenty of opportunities



Penang bridge: There is a desperate need to modernise transport systems in Asian countries

IF the devil was to redesign a transport system for hell, he could do no worse than model it on Bangkok, Thailand's capital.

Cross-town journeys which would take no more than 30 minutes elsewhere often take several hours through the congested streets of this teeming Asian city. The average speed of vehicles in Bangkok has been estimated at 5kph. There are many times when it seems slower.

Traffic flows with equal difficulty in Taipei, Taiwan's capital, and in Seoul, capital of Korea, where the air pollution caused by car exhausts regularly hangs in a pall over the city.

There is a desperate need to modernise transport systems in many Asian countries – and not just in large sprawling cities where massive traffic jams are customary and smog fills the air for many months each year.

The free flow of goods and people is essential for industry and commerce to flourish and also if governments are to persuade populations and investment to move from overcrowded cities to under-developed areas.

The lack of adequate road and rail links will constrain further economic growth in these countries unless development plans for rapid transit systems, high-speed rail links and new motorways proceed.

It is not surprising, therefore, that increased investment in transport has been given a priority in national development plans. The excitement for international engineers, wishing to share in some of the hundreds of billions of dollars of contracts on offer, is that they will be dealing with governments which can afford to pay them in currencies which are worth having.

Some of the world's fastest-growing economies are to be found in Asia which, unlike Africa or parts of eastern Europe and South America, combine need for new construction with financial strength and, in the main, political stability. It makes the region one of the world's most attractive construction markets.

Construction of roads, particularly new motorways, provides a key element of transport plans. Thousands of kilometres of new expressways are planned in countries such as South Korea, Taiwan, Malaysia and Indonesia.

In some cases these are needed to provide extra capacity on already overcrowded trade routes. In other cases, such as in South Korea, road development is being used to open up undeveloped areas of the country and to encourage investment away from congested metropolitan centres.

Most of the roads will be built by domestic construction companies which are well skilled in the mechanics of pouring concrete and tarmacadam. A few opportunities for international contractors may arise in countries such as Taiwan which may require specialist skills such as tunneling and bridge-building.

The high cost of road and railway building has meant that Asian governments, despite the strength of some national economies, are already looking at ways of softening the impact of big public spending programmes on local inflation and interest rates.

One alternative is to encourage the private sector to invest in transport projects under build-own-operate arrangements. The government gets a road or railway it would not otherwise be able to afford. Investors get their return from collecting tolls or fares. In many cases the route reverts to state ownership after an agreed number of years.

Much of the North-South Highway that runs the length of Malaysia has been financed in this way by the private sector. Taylor Woodrow of the UK advised on large parts of the project.

Trafalgar House, the UK construction, property, shipping and hotels group, has submitted proposals to build one of 17 private toll roads identified by the Indonesian government. Taiwan, which has a large highway development programme, is also investigating the possibility of financing part of this from the private sector.

Most roads, however, are likely to be financed by the public sector given the problems over securing government guarantees on debt repayments. Governments may also want to retain some measure of control over pricing on sensitive routes.

Construction of railways, both light rail and metros to ease congestion in big cities, and high-speed rail links to connect big centres and export ports, also figures highly in the development plans of Asian countries.

The Seoul Metro is being expanded while construction of a $18bn rapid transit system is under way. Bangkok has long-standing plans to ease its congestion problems through a privately-financed light rail system. Hopewell, the privately-owned Hong Kong development group, is the favourite to finance and build the project.

Many other Asian cities have plans to build metros and light rail projects. Even if only a quarter of these are built it will provide a large amount of work for railway engineering groups. Much of the electrical and mechanical works, the signalling, locomotives, and automatic ticketing systems, will need to be imported, providing work for international companies from Europe, Japan and the US.

Plans for high-speed rail links are well advanced in South Korea and Taiwan. These projects, costing many billions of dollars, will also provide opportunities for overseas companies which again will be expected to supply the core systems. The basic track laying will be done locally.

Companies winning contracts will be expected to work in joint venture with domestic groups. Transfer of technology is almost as important to Asian countries as the actual building of these projects.

As with roads, the bulk of the finance for these schemes will come from the public sector but there may be some opportunity for private investment. In some cases, concessions to operate rapid transit systems may be sold off once the project has been developed.

The opportunities, as with so much construction in Asia, are vast.

Andrew Taylor

☐ JAPAN: REGIONAL ROLE

Markets turmoil raises doubts

WHEN Kumagai Gumi became the first Japanese general contractor to win an international tender, for a water channel in Hong Kong 31 years ago, it was a symbol of Japanese industry's determination to play an increasingly important role in the development of east Asia.

But the aggressive Kumagai Gumi has now become a symbol of the limits to Japanese ambitions. Having been wounded in the international property market, the contractor and developer has announced that it will concentrate on the home market for the next few years and gradually sell off its international holdings.

The turmoil on domestic financial markets, and the resulting higher capital costs and extra pressure on profits, have raised unexpected doubts about the ability of Japanese companies to participate in regional projects. At the same time, the Ministry of Finance, troubled by a slowing of tax revenue, is attempting to cut spending and has taken aim at foreign aid programmes.

In the late 1980s, when the Tokyo stock market rose ever higher, Japanese companies were easily able to raise funds for investment abroad. But the higher capital costs have forced Japanese contractors, among other companies, to be more selective about exposure to low-margin projects. In Kumagai's case, international contracts for the current year will be about Y50bn, down from Y150bn last year.

The stock market collapse has also bruised Japanese banks who are struggling to meet international standards for capital adequacy and are reviewing their regional investments. Banks say that plans to expand offices in Asia are being reviewed, postponed or even shelved and they warn that asset growth generally must be limited.

After the stock market peaked in late 1989, direct investment in members of the Association of South East Asian Nations (Asean) also peaked. Having risen from $856m in fiscal 1986 to $4.68bn in 1989, the figure declined to $4.08bn in 1990, and in the fiscal first half to end September last year, the total further declined to $1.78bn.

However, Japanese government and industry will continue to play an important regional role, both through the funding of infrastructure projects in countries such as Indonesia, Burma and China, and through the continuing transfer of technology to industries in more developed economies such as those of Singapore, Taiwan and Malaysia.

Japanese industry, still suffering from a labour shortage despite the domestic slowdown, has sound reasons to continue investment in the region.

Trade with Asean rose from $35.1bn in calendar 1987 to $63.2bn in 1990 and $69.4bn last year. Growth has slowed, but Tokyo sees the region as an important source of low-cost manufacturing capability and as the home of an increasing number of consumers of Japanese products.

JAPANESE TRADE WITH ASEAN ($m)		
Calendar year	Exports	Imports
1987	15,574	19,580
1988	21,394	22,458
1989	25,966	25,809
1990	32,975	29,250
1991	37,679	31,759

Source: Japanese Ministry of Finance

The region is also the testing ground for Tokyo's emerging political profile. The Japanese government has made clear its intention to assist in the reconstruction of Cambodia and to encourage the development of Laos and Vietnam.

Vietnam, in particular, will be a test of Japan's political will. The Keidanren, the Federation of Economic Organisations, sent a delegation to Vietnam late last year, while officials at the Ministry of International Trade and Industry have decided, in principle, to resume the provision of trade insurance to Hanoi.

Apart from the aim of assisting the development of the region, the aid programme overlaps with the interests of Japanese industry

The dilemma for Tokyo is that it would like to encourage investment in Hanoi but risks criticism from Washington, which has yet to lift its economic sanctions on Vietnam.

Presuming that official assistance will resume in the near future, Japanese trading houses have expanded their Vietnamese operations and are putting together lists of likely investment opportunities.

Meanwhile, the Japan International Co-operation Agency (Jica), the government agency responsible for technical co-operation, is continuing to expand assistance programmes in the region.

In fiscal 1990, the organisation was involved in 89 technical co-operation projects and began 40 new studies, with involvement ranging from a waste-water disposal project in Indonesia to a hydro-electric plant in Malaysia, as well as a geological survey in the Philippines.

"Obviously we have a geo-political interest in Asian development. It is very important to us," a Jica official said.

Over the past five years, about 30 per cent of Jica's expenses have gone to projects involving Asean members and Japan now provides more than half the bilateral assistance received by east Asian nations.

The Overseas Economic Co-operation Fund (OECF), the government agency providing long-term concessional loans, disbursed Y922.1bn in official development assistance funds last year, an increase of 20.4 per cent.

Net disbursement, the gross figure less principal repaid, was Y775.4bn, a 24.6 per cent increase on 1990 when about 73 per cent of loans were devoted to projects in east Asia.

Of the total loans to foreign governments made by the OECF in fiscal 1990, 26.8 per cent cent were for transport projects, 13.8 per cent were for electric power and gas, 7.7 per cent for mining and manufacturing, and 6.4 per cent for telecommunications. Commodity loans accounted for about 26 per cent of the total.

Apart from the well-intentioned aim of assisting the development of the region, the aid programme overlaps with the interests of Japanese industry which is reluctant to invest without the confidence that there will be sufficient energy to run factories and enough transport to carry goods to foreign markets.

Japanese companies are already profiting from the gradual rise of a consumer class in south-east Asia and they are still excited by estimations of latent demand in China.

Evidence of that demand was shown in the mid-1980s when Japan's television exports to China rose from Y87bn in 1984 to Y285bn in 1985, then plunged to Y5bn in 1986 after a tightening of import controls.

In February this year, Japan's exports to China were 59.8 per cent higher than a year earlier.

Until now, Japanese project assistance has come with few strings attached, a policy that has helped Tokyo cultivate friendships in some Asian governments with less than perfect human rights records.

While Japan claimed to have "frozen" Y810bn in loans to China after the crushing of the pro-democracy movement, preparatory work continued in Tokyo and the loans have since been disbursed on schedule.

There are signs that a higher political profile may bring a tougher stance on concessional loans but the foreign ministry is still reluctant to criticise acts interpreted by most western governments as an abuse of human rights.

Tokyo argues that freezing of such loans further injures a people already suffering under their own government.

Robert Thomson

☐ JAPAN: NATIONAL GOALS

Focus on quality of life

IF Japan has a national goal for the 1990s it is to bridge the gap between its First-World economy and Third-World standard of living by focusing massive investment on a woefully inadequate social infrastructure.

A widely-held view that average citizens have not benefited fully from the nation's rising affluence, coupled with US pressure to drastically boost domestic demand, prompted the government in June 1990 to pledge Y430,000bn in infrastructure spending over the next decade.

That total is equal to slightly more than last year's gross national product and should roughly double from the previous decade the annual growth rate of public investment to 6-7 per cent, as it did in the first year of the programme which ended this March.

The government also decided in early April to "front-load" the fiscal 1992 public works budget by spending 70 per cent in the first six months to jump-start the sputtering economy. This alone will not inject new revenues over the full year, but a supplemental budget now appears likely.

"Thirty per cent of construction activity is public works and 70 per cent private at most general construction and mid-sized companies, so public spending alone cannot offset private declines," says Ms Akemi Toyonaga, construction industry analyst for Credit Lyonnais Securities (Japan).

Government spending – shaped both by need and political considerations – will be funneled into three broad areas: residential infrastructure centering on housing, sewers, parks and traffic control; public facilities such as airports, harbours, railways, roads and erosion and flood control systems; and industry-related programmes focusing on waste and environmental management.

Among the varied targets are: expanding average housing floor space over the decade from 89 square metres in 1988 to 95 sq m; increasing the number of homes connected to sewerage systems to 60 per cent from 40 per cent over the same period; and enlarging by half the trading vessel harbour space by 1995.

"Twenty or 30 years ago, big infrastructure projects involved the so-called bottleneck programme for industry. But from now on, the main concentration will be on people's living standards," says theJapan Development Bank.

The biggest uncertainty affecting the government's initiative is the price of land. Reflation could mean using far more than the 15 per cent of the Y430,000bn budgeted for real estate purchases and lessen the impact, says the bank.

An Economic Planning Agency committee is set to release an infrastructure policy review in May or June in which the most notable feature will be proposed user fees to help cover the enormous expense of the government's many initiatives, he predicts.

"In general, the difference this spending makes is going to be felt on the micro level, neighbourhood by neighbourhood – and hopefully it will be followed by private investment, especially in housing, to improve people's immediate quality of life," adds Mr Peter Sanborn, senior analyst at Jardine Fleming Securities. "The large projects may attract attention from the media and contractors, but in the end they are likely to be far less important to average Japanese."

Haneda airport, serving Tokyo, is being significantly expanded. Big airport projects also are planned at several regional capitals

Among the largest of high-profile undertakings are new airports. Faced with an acute capacity shortage, the government is increasing total airport construction spending by nearly 70 per cent in fiscal 1991-95 from the previous five years to Y3,220bn ($24bn).

The flagship facility is the New Kansai International Airport off the coast of Osaka. The Y1,430bn island terminal will be the cornerstone of the Kansai region's efforts to draw business to Osaka, Kobe and Kyoto and will be Japan's first 24-hour air terminal. The venture has run into problems – including more sinking than expected of the man-made island on which the airport sits – and it is now set to open in mid-1994, about 15 months behind schedule.

The cost has also risen 40 per cent, partly because of expanded terminal capacity, says a spokeswoman for Kansai International Airport. When completed, the airport will be connected to the mainland by a road and rail bridge and accommodate nearly double the capacity of the area's current air terminal.

Big airport projects also are planned at several regional capitals, while the Narita and Haneda airports serving Tokyo are also being significantly expanded.

Waterfront development is another big initiative area, although much of the capital is private. Along Japan's most congested waterfront, the Trans-Tokyo Bay Highway is scheduled in 1998 to connect Kawasaki, just south-west of the capital, with Kisarazu on the relatively pristine Boso Peninsula, site of the Kazusa Research Park and numerous tourist and resort developments. The project, now well under way, involves building bridges, tunnels and artificial islands at an estimated cost of Y1,150bn. Another structure at the mouth of Tokyo Bay, and the Akashi Straits Bridge on Seto Island, will be the world's two longest suspension bridges.

The group is building a Y340bn, 27-mile track in Yamanashi Prefecture, 80 miles from Tokyo, to test full-sized rail cars at speeds of up to 310mph

The Tokyo Bay area is being transformed by numerous other large projects, including several on artificial islands. One of the biggest is the municipal government's Tokyo Teleport, recently delayed two years and set to open in 1996, and the Tokyo International Convention Park. Private consortiums also are developing large commercial and residential ventures in the area. A new train line, loop highway system and road extensions will provide access.

The Nihon Convention Centre (Makuhari Messe) and a monorail are already operating, and construction is in progress of scores of related facilities.

In Yokohama, the Y2,000bn Minato Mirai 21 project will house Japan's tallest building, 75 stories high, on reclaimed land. It will join Yokohama Hall and two already completed museums and numerous private projects.

Japan's quasi-public organisations are another source of heavy infrastructure spending. For example, the Japan Railways (JR) group plans to extend its bullet train lines. The Railway Technical Research Institute, a JR affiliate with national and local government support, is conducting the more ambitious of Japan's two magnetic levitation (maglev) linear railway development projects.

If successful, it will help revolutionise train travel and cut by two thirds the travelling time between Tokyo and Osaka, to one hour. The group is now building a Y340bn, 27-mile track in Yamanashi Prefecture, 80 miles from Tokyo, to test full-sized rail cars at speeds of up to 310mph. Many technological hurdles are yet to be overcome, including big advances in energy efficiency and the prevention of suspected health risks linked with exposure to electromagnetic radiation. Commercialisation is not expected until at well into the next decade, at least. By some estimates, the phenomenal cost of building a new line along the congested Tokyo-Osaka corridor could delay it indefinitely.

HSST Corporation of Nagoya is separately promoting three schemes, including an inter-city maglev railway that would cruise at 186mph, a commuter version and a downtown people-mover. The group includes Nagoya Railroad and Aichi Prefecture, and it hopes full-scale testing recently begun will attract national subsidies for a Nagoya commuter line.

Japan's now private telecoms giant Nippon Telegraph & Telephone is also planning an aggressive infrastructure enhancement programme in the 1990s. Combined with the JR it will add some Y25,000bn to infrastructure spending. In addition, the nation's 10 electric power companies will invest trillions of yen to increase generating capacity 16.2 per cent in the next five years alone.

Neil Weinberg

☐ TELECOMMUNICATIONS

Region of huge contrasts

EASTERN Asia is a region of huge contrasts in telecommunications.

Large countries such as China and Indonesia have fewer than one telephone line for every 100 people. But small territories, in particular Hong Kong and Singapore, have telecommunications networks that rival the best of those in western developed countries.

In most of the region, the challenge is to provide new telephone lines quickly enough to satisfy pent-up demand. In the more advanced countries – such as South Korea, Hong Kong, Singapore and Taiwan – the challenge is to develop advanced telecommunications networks.

Singapore has made telecommunications a high priority for many years. Its aim has been to use advanced networks to attract foreign investment in industries such as financial services, and to develop itself as a regional hub for telecommunications traffic.

Singapore Telecom has international call charges which are among the lowest in the world. It has also pioneered new services such as Integrated Services Digital Network, which allow high-speed data and telephone services to be carried simultaneously on the same telephone line. The Singapore government is moving ahead with plans to privatise Singapore Telecom. And, from 1994, Singapore will be directly linked to Europe with an underwater fibre optic cable.

Hong Kong has had a similar focus on high quality services at low costs. Hong Kong Telecom, a subsidiary of the UK-based Cable and Wireless Group, has a monopoly on basic domestic and international services. But it faces competition in mobile communications from several rivals including Hutchison Telecom, part of Mr Li Ka-shing's Hutchison Whampoa conglomerate.

One of Cable and Wireless's strategic objectives has been to open up telecommunications links with southern China. The result has been a surge in the telecommunications traffic between Hong Kong and China. This route accounted for 410m minutes of traffic in 1990 – making it by far the busiest bilateral route within the region, according to a report from the London-based International Institute of Communications.

There is a trend towards putting national telephone companies, which have traditionally been run as government departments, on a more commercial footing

Cable and Wireless is also trying to turn itself into the main carrier for the Pacific basin. It recently became the second operator in Australia and its AsiaSat satellite – a joint venture with Hutchison Whampoa and the Chinese government – is providing services in Thailand, Mongolia and eastern Siberia.

South Korea, which has established a high-quality basic telecommunications service, is now liberalising its market with the aim of developing more advanced services.

Last year, Dacom, a local telephone company owned mainly by large Korean companies, started providing a rival international service to that run by Korea Telecom, the state-owned group. Prices immediately fell sharply.

This year, the government is holding a competition to find a new operator for cellular communications.

Other countries in the region are still struggling to provide adequate basic telecommunications. The twin challenges are to reform the telecommunications industry so that modernisation can proceed efficiently and to find sufficient finance for investment.

There is a trend towards putting national telephone companies, which have traditionally been run as government departments, on a more commercial footing.

Malaysia has already partly privatised its Telekom Malaysia. Other countries, such as Indonesia, have retained state ownership but established a more arms-length relationship between the telephone company and the government.

There is also a greater willingness to countenance foreign investment. While political sensitivities often prevent full-scale privatisation, Thailand and Indonesia are experimenting with halfway houses which involve attracting private capital while retaining state control.

The largest scheme of this type is a 25-year concession for Nynex, the US telephone company, and Charoen Pokphand Group, the Thai agri-industrial conglomerate, to build and operate 2m lines in Bangkok at a cost of about $3bn.

China is in a category on its own. Foreign investment has been welcomed in equipment manufacturing, with western companies such as France's Alcatel, Germany's Siemens and Britain's GPT forming joint ventures. But there is almost no foreign participation in the provision of services.

Even China, though, has started restructuring its telecommunications industry in order to improve efficiency. Over the past few years, the central government has delegated power to decide prices and some aspects of investment to 2,500 post and telephone enterprises in cities, towns and rural areas. It is now contemplating a second phase of restructuring which would involve turning these enterprises into corporations.

The Chinese telephone network has been growing at a compound annual rate of 20 per cent. About $2bn is being invested each year, making this the largest telecommunications programme ever in a developing country.

But there are still only 8m telephone lines in the whole of China – about the same as in London.

Hugo Dixon

☐ HONG KONG AND CHINA: ROADS

Joint venture development

THE drive from Hong Kong to Guangzhou (Canton) currently takes more than 24 hours. By the end of next year this will be reduced to six hours as a result of a new road and the tenacity of Mr Gordon Wu, Hong Kong engineering tycoon and managing director of Hopewell Holdings.

The super-highway is one of several big infrastructural projects being undertaken in the Pearl River delta region with strong financial and technical support from the private sector of Hong Kong.

The road, constructed by a joint venture between Hopewell and the Chinese authorities, will cut through the economic heartland of China. It will link to the international markets what, according to economists, will be within 10 years the largest manufacturing centre in the world.

"It is probably one of the most important developments in Southern China", said Mr David Whittall, economist at Baring Securities (Hong Kong).

Hopewell has been the trail-blazer for Build-Operate-Transfer projects in southern China. Mr Wu spent more than 10 years persuading politicians and bankers of the need for his super-highway.

The current change in the business community's attitude towards a more capitalist China, and in particular its economic power-house in the south, suggests his timing could be close to perfect.

Phase One of the 304km six-lane toll-way will link the provincial capital of Guangzhou with Shenzhen, China's most affluent city, and will run up to the frontier crossing with Hong Kong. The 128 inspection passages are already constructed.

When Phase One is completed, in about December 1993, it will be extended to link with the western side of the delta, via the Boca Tigris bridge across the Pearl River. Phase Two will stretch as far as Jiangmen to the west and will also run south to Zhuhai, another booming Special Economic Zone which borders the Portuguese enclave of Macau. Phase Three is a shorter stretch, joining Guangzhou with Phase Two. The entire project could cost as much as $HK15bn.

Mr Wu is already proposing a more ambitious extension, with a 39km bridge crossing the mouth of the Pearl River, to link Zhuhai with Shenzhen's port city of Shekou, at a cost of $8bn.

Hopewell is not alone in its optimism, which is further emphasised by several power station projects it has undertaken. New World Development has taken a 40 per cent stake in the $HK1bn Guangzhou ring road and is also constructing a power station. Sun Hung Kai Properties is involved in a light rail project linking Shenzhen with its new international airport and nearby port.

It is no coincidence that the Hong Kong parties involved are all property developers: they have residential developments in China which should become more profitable with the improved infrastructure.

Engineering tycoon Gordon Wu spent 10 years persuading politicians and bankers

These projects help support the most positive post-1997 role for Hong Kong: that of service centre for the booming southern region.

But although the rewards may be there, there is also significant bureaucratic hardship to be endured in embarking on private sector infrastructural projects in China, as shown by the time-scale of the Hopewell project. Hopewell's proposals were all but blocked by the political upheaval following the Tiananmen Square massacre in 1989. Further delays were experienced in obtaining the road's financing from the Bank Of China, after more than a decade of wrangling with officials both in Beijing and Guangdong Province.

As a result of these delays, there has been speculation that local authorities threatened to hand over part of the Phase Two contract to another prominent local business group.

Mr Wu is adamant this is untrue. He claimed Phase One would be completed a year ahead of schedule, in June 1993. He has a strong incentive, since this would result in a bonus payment of about $HK1bn.

Simon Davies

☐ MALAYSIA

Growing pains with economic success

OVER the past five years, Malaysia's economy has grown at an average annual rate of 8 per cent. In its latest economic forecast, the Asian Development Bank predicts that in the coming years Malaysia will achieve the fastest economic growth rate in the Asian region.

The Malaysian government says that in the period 1991-95, the years covering the country's sixth economic plan, annual growth will average about 7.5 per cent in real terms.

Over the past 20 years, Malaysia's economy has become manufacturing-based rather than dependent on commodities.

Economic success has brought considerable benefits in terms of higher living standards and full employment. But anyone who has threaded their way through the traffic jams of Kuala Lumpur's narrow streets or driven through the fast-industrialising state of Johor in the south realises that economic success is causing Malaysia considerable growing pains.

Dr Gan Khuan Poh, director of the infrastructure section in the office of Dr Mahathir Mohammed, the Malaysian prime minister, admits that there is serious congestion on some of Kuala Lumpur's roads and infrastructure problems in other areas.

But he feels Malyasia's difficulties are small compared to other countries in the region.

"Everything is relative. There is congestion everywhere. Look at the problems faced by Taipei or Bangkok," says Dr Gan. "Our difficulties are nothing compared to those faced by the authorities there."

According to Dr Gan, the most serious bottle-neck in Malaysia at present is not in relation to inadequate infrastructure but more to shortages in the labour sector – a view shared by both local and foreign employers.

"In some senses, of course, the two things are closely related," says Dr Gan. "The completion of the north-south transMalaysia highway, due in 1994, and the building of another east-west highway, is aimed at not only modernising our road network but also at dealing with problems of labour shortages.

In some rural areas there are still pockets of excess labour. Once these roads are completed, people will be able to travel to work much more easily."

Infrastructure development is the priority in the present sixth economic plan. During the period 1987-91, M$15.5bn was allocated by the government to the transport and communications sector.

In the 1991-95 period, the government is allocating M$25.1bn to the sector – M$10.7bn from federal government coffers, the remainder from state enterprises or already partly privatised bodies such as Telekom Malaysia Berhad, the telecommunications service.

The government emphasises the increased role it anticipates the private sector – both local and foreign – will have in infrastructure development.

Already, some port facilities have been privatised. What appears to be a highly successful partial privatisation of the state electricity service is under way.

Completed sections of the 550-mile transMalaysia highway have been privatised. Roads will be the priority area in the sixth plan, receiving nearly two thirds of the total allocation for the transport and telecommunications sector.

Work will be completed on the north-south and east-west highways: urgently needed improvements to urban transport, particularly in the Klang Valley area round Kuala Lumpur, will also be undertaken.

Registration of new vehicles has been growing at more than 4 per cent per annum, nearly 50 per cent of the total in the Kuala Lumpur area. Some have advocated limiting vehicle access to the capital city, as is the case in Singapore, or putting higher taxes on cars. The government has shown no inclination to implement such policies: rather it wishes to support the country's own fledgling car industry by encouraging vehicle ownership.

Congestion around Kuala Lumpur is likely to be eased when the first phase of a light railway project is implemented in early 1994.

Significant amounts of the rail network, due to be "corporatised" before 1995, will be double tracked and electrified over the next four years.

Total air passenger traffic has increased by 11 per cent a year over the past seven years and is expected to grow by between 7 and 10 per cent a year over the next three years.

While existing airport facilities are felt to be adequate, Subang International airport outside Kuala Lumpur is being upgraded and construction of a new international airport south of the capital is due for completion by 1997.

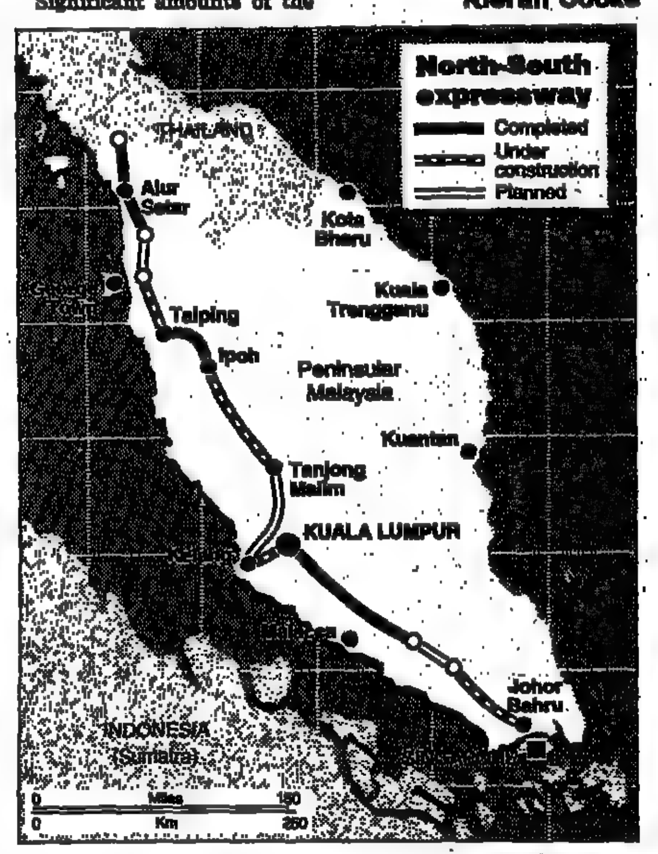
Port facilities, at Port Klang near Kuala Lumpur, in Johor along the east coast and in East Malaysia, are being upgraded and expanded.

There are also plans to expand the Malaysian merchant fleet although so far the government has had little success in encouraging investment in the shipping industry.

There are other problem areas: some government critics feel that not enough attention is being paid to the development of infrastructure in East Malaysia. There are also those who question the environmental impact of some of the development schemes, while others feel that targets set by the government for private sector infrastructure investment are too ambitious.

In recent years, Malaysia has gained a reputation for not merely producing detailed development plans but implementing them. If only 75 per cent of infrastructure projects in the sixth plan are achieved, the face of Malaysia will be significantly changed.

Kieran Cooke



Another Asian dragon rises

AN economic power house is being created in the southern provinces of China, Hong Kong and Macao.

In Guangdong, Hainan, Fujien and to a lesser extent Shanghai, the dead hand of central government control has been lifted and enterprise is being given its head.

Development in Hong Kong and Macao – airports, ports, electric power and telecommunications – is occurring as a result of the southern Chinese economic miracle.

The scale of the task in developing the region's infrastructure is illustrated by the fact that Guangdong, with a population of 63m, is larger than the UK but its total electricity generating capacity equals only 5 per cent of Britain's.

This decade may see the electrification of southern China, construction of big airports, creation of a telecommunications network, and the paving of thousands of miles of highways.

● Guangdong and Hong Kong are planning large rises in electricity capacity. Generating capacity in Guangdong amounted to 8,280MW in 1990, but is planned to increase to 14,300MW by 1995 and to produce 20,000MW by the year 2000.

GEC-Alsthom has just won a £550m contract to build two coal-fired 650MW units at Shajiao, on the Pearl River.

In Hong Kong – where electricity generating capacity of 8,387MW is greater than Guangdong's – there are plans to increase nearly double capacity over the next 15 years.

● Anyone who has travelled on Guangdong's road system will appreciate the need for improvement.

Most roads in Guangdong are single-lane dual carriage ways, with traffic moving at a snail's pace.

Mr Gordon Wu, managing director of Hopewell Holdings of Hong Kong, is building a six-lane 304km super-highway, the first phase of which will connect Shenzhen, on the Hong Kong border, with the provincial capital of Guangzhou.

● By the end of the century, within a radius of less than 50 nautical miles from the centre of Hong Kong, there will be three airports capable of dealing with international passenger and cargo traffic, and internal China trade.

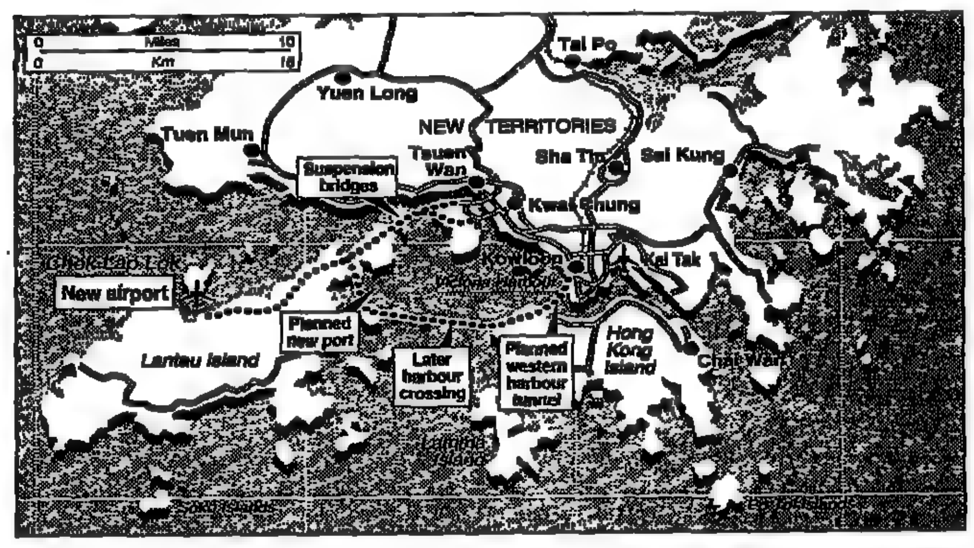
The largest of the three will be situated at Chek Lap Kok, a small island to the north of Lantau.

Due for opening some time in 1997 – the year China resumes sovereignty over the British colony – the airport will have a cargo capacity of 1m tonnes a year and ability to handle 20m passengers a year.

A planned international airport for Macao – which reverts from Portugal to China in 1999 – will open up the Zhuhai special economic zone.

By the year 2000 it is forecast to handle over 6m passengers and 123,000 tonnes of cargo a year. The smallest is an airport just completed at Shenzhen, the special economic zone which borders Hong Kong. It has a planned capacity, by 2000, of 5.5m passengers and nearly 200,000 tonnes of cargo a year.

● In Hong Kong there are an average of 54 telephones for every 100 people; in Shenzhen, there are 17; in Guangdong the figure falls to three; and for the whole of China it is less than one. China has embarked on a $5bn telecoms programme, but that is just the beginning.



● Hong Kong's biggest infrastructural advantage has been its natural harbour. But its franchise is coming under threat from a more outward-looking China.

Work on an ambitious container terminal at Yantian, just across Hong Kong's eastern border, is already advanced. To the west, Shekou has succeeded in attracting one Middle Eastern shipping company to its shallower container facilities in the Pearl River and a European shipping line is negotiating to set up a direct route.

A third big deep-water port is planned in Gaolan, next to the Special Economic Zone of Zhuhai.

Further afield, free ports are being set up in Yangpu in Northern Hainan island and in the city of Xiamen, opposite Taiwan. These two special zones have the avowed intent of mirroring the success of Hong Kong and are well located to do so.

Local business remains confident that Hong Kong's infrastructure will give it the edge. "The cake is getting sufficiently bigger, so there is enough for all of us", said one terminal operator. This view is reflected in the growing number of consortia preparing to bid for the territory's ninth container terminal.

"Transport infrastructure is fundamental to Hong Kong's future success," said Mr Alisdair Morrison, managing director of the Jardine Matheson group's property arm Hongkong Land, one of a number of companies to express an interest in bidding for the new terminal, due to open in 1995.

"As Hong Kong integrates with southern China, it is the manufacturing sector and the physical movement of its goods which is at the forefront of Hong Kong's growth. The port is the mechanism for taking advantage of that", said Mr Morrison.

The emerging ports over the border seem likely to act as feeder ports for Hong Kong, as will also be the case with the new deep-water port in Macao. All the Pearl River ports suffer from silting and offer difficult access. In the short term, they should enhance Hong Kong's position as a regional hub.

Total container output for the whole of China was only 1.5m Twenty-foot Equivalent Units (TEUs) in 1990, compared with in excess of 5m TEUs out of Hong Kong. The turnaround for a container in Hong Kong is measured in hours, while operators claim that in China it has to be measured in days or even weeks.

The Hong Kong government estimates that the number of fully-containerised vessels utilising the port will increase from 8,390 in 1990 to 21,000 by 2001.

"I would even question whether Hong Kong can offer enough capacity in the next five years. It's going to be very tough. Some of the business is going to go to other places, but there's more than enough business for everybody", said Mr David Allen, managing director of Asia Terminals.

Simon Holberton and Simon Davies

☐ SINGAPORE

A model for many other countries

ACCORDING to Singapore government statistics, the average speed of vehicles on the island republic's roads during peak hours is 30kph. The equivalent figure for Hong Kong is 16kph, London is 15kph and Bangkok's is a mere 5kph.

There is no doubting Singapore's success in creating an infrastructure which is not only the most efficient and comprehensive in Asia, but is unrivalled in most of the rest of the world. Singapore has achieved a glowing reputation for its road network, its port handling facilities and its telecommunications network.

Changi, Singapore's futuristic airport complex, has consistently been awarded the title of the world's best airport.

Yet things could have been very different. Singapore covers an area of only 573 sq km. As the republic's economy rapidly expanded, serious congestion of limited land, sea and air facilities could have occurred. But since Singapore's emergence 27 years ago as a fully sovereign independent nation, its leaders have anticipated and planned for future growth in a way which other countries have failed to do.

Changi airport was opened in 1981. A second terminal, costing S$650m, opened in late 1990. Now, in anticipation of further increases in passenger traffic, a third terminal is being planned while other facilities are being extended and refurbished.

Singapore rivals Hong Kong for the title of world's biggest container port. In 1990, some 44,606 ships called at Singapore, a 14.5 per cent increase on the 1989 figure. Recently Singapore has become one of the first ports to be fully integrated into the "Tradenet" computer system of export-import documentation. Ships' officers who once had to deal with up to 20 government departments and take two days to clear documents can now, through the "Tradenet" computer, accomplish the same job in 15 minutes.

According to Singapore officials, the system – financed with S$20m from the government – has paid for itself very rapidly. It has also cut traders' costs by saving time and has increased export-import volumes.

Perhaps Singapore's greatest infrastructure success has been with the roads. The country's planners realised some time ago that increased car ownership was a natural result of economic growth. At first, heavy reliance was put on a number of fiscal disincentives to vehicle ownership – making cars in Singapore among the highest priced in the world.

Despite these measures, vehicle ownership continued to grow albeit at a slower pace than in other Asian cities. In 1974, Singapore had 142,000 cars on its roads. It now has double that number. In the same period, the car population of Taipei, capital of Taiwan, has risen from 60,000 to nearly 400,000.

Since 1990, Singapore has brought in a vehicle quota system to directly control the number of vehicles on its roads. Within three years, the republic will have an electronic road pricing system in operation, through which each vehicle will be charged according to the use of roads in congested areas.

Over the years, massive amounts of government funds have been ploughed into the infrastructure sector. The expenditure has reaped considerable dividends. Pharmaceutical companies have invested in Singapore because, among other things, the republic has clean water and reliable electricity supplies. Electronics companies rely heavily on Singapore's ultra-modern and cheap telecommunications system.

Singapore does face some difficulties. It has to rely on its neighbours for some supplies of water and power.

While its own infrastructure might be very efficient, onward economic growth could be hampered by bottle-necks caused by shortcomings in the infrastructure of Malaysia to the north and Indonesia to the south.

But for many years to come, Singapore's infrastructural development is likely to remain a model for many other countries in the Asian region.

Kieran Cooke

☐ THAILAND: BANGKOK TRANSPORT

Grappling with solutions

THERE are two ways of developing a country's infrastructure, a wise diplomat with commercial experience in Africa and Asia said recently.

In Africa, governments tend to build infrastructure, get into debt and wait vainly for economic growth and foreign investors. In Asia, they tend to encourage business, get rich, and try to cope with the resulting chaos by expensively inserting the infrastructure into the existing economy. Both methods were flawed, the diplomat believed, but the Asian approach was better because at least it encouraged the sort of economic growth regarded as essential in the modern world.

Thailand, and in particular Bangkok, the capital, is probably the best-known example of the "let's-build-the-infrastructure-later" approach.

After two decades of rapid growth and industrialisation centred on Bangkok, it became clear by the late 1980s that the city's nightmarish traffic jams and environmental problems were starting to throttle the economy, alienate tourists and make the prospect of life in well-ordered Singapore ever more inviting for companies and individuals.

Two solutions have been adopted. The first is to try to industrialise in the regions – especially the eastern seaboard and the southern seaboard – and the second is to improve the transport network in Bangkok, a city of some 9m inhabitants plagued by lack of planning, an exceptionally poor road network and the absence of any underground railway or mass transit system.

Each day in the capital, there are 218 train movements which periodically stop the already slow-moving traffic at level crossings.

A visitor to Bangkok can see the engineering and management skills involved in building prefabricated flyovers and elevated expressways with minimum disruption to the existing traffic. But the large mass transit projects – delayed for years by indecision and the manoeuverings of successive governments – have yet to begin.

According to the Seventh Plan Urban and Regional Transport report, inelegantly named Spurt, about Bt200bn is forecast to be spent on transport investment in the Bangkok area between 1992 and 1996 (about half of it by private concessionaires), compared with a total of Bt30bn (mostly by the public sector) in the previous five-year plan.

Much of the money is destined for three large projects: the Bt80bn combined property development, road and rail scheme hurriedly proposed by Hopewell of Hong Kong when the State Railway of Thailand wanted to elevate its tracks; the Bt65bn Skytrain, an idea dating back 17 years and now to be developed by a consortium led by SNC-Lavalin of Canada, with the help of C$800m in Canadian government money; and the Bt18bn elevated railway ordered by the Bangkok Metropolitan Authority (BMA) from local property developer Tanayong.

All the projects have been approved, but there is a snag: they conflict with each other and with other expressway plans in 33 places

All the projects have been approved, but there is a snag: they conflict with each other and with other expressway plans in 33 places and duplicate each other on certain routes. Such conflicts arose because the three projects come under the auspices of different authorities – the Ministry of Transport and Communications for Hopewell, the Expressway and Rapid Transit Authority for the Skytrain, and the BMA for the Tanayong project. The result is that the concessionaires will find it more difficult to raise finance for routes duplicated by competing projects, and contracts may have to be rewritten to take into account changes made to avoid the conflicts.

A report, published last year by consultants Wilbur Smith for the government, analysed the various conflicts between four expressways and the three mass transit systems and concluded soberly:

"Worthy as each project may be by itself, co-ordination between these (government) agencies and the concessionaires involved has been lacking as to land and air rights usage, and they do not provide for the interchange of vehicles or passengers to the extent needed to constitute a co-ordinated, coherent transport system."

The problem was, the report said, that each of the 33 conflict points could be resolved individually, but not if it was considered in conjunction with the adjacent conflict points. Long-suffering Bangkok residents could only smile as they imagined the bizarre seven-level structure which would have to be built to accommodate the worst cross-over point involving the various schemes.

The Smith report, citing the risk of severe environmental damage and high costs, made recommendations which are generally regarded as sensible both by the authorities and by the concessionaires.

Thailand had the technical talent to overcome its transport difficulties, it said, and needed to do so because the cost of delay was far greater than the combined cost of all the projects. But the country had to have "a clear statement of goals".

Above all, the report recommends the formation of a clearing house, known as the Office of the Megaprojects (Omega), to resolve conflicts and co-ordinate everything from engineering and architecture to finance and real estate management.

Mr Sansern Wongcha-um, director of the infrastructure projects division at the National Economic and Social Development Board, is philosophical: "In Bangkok we never had a plan. Everything grew up individually."

For Mr Sansern the main obstacle to progress has been the tendency of successive governments to grant concessions to the private sector without preparing strict guidelines, but he believes the difficulties will be overcome. "I'm sure that we can solve it," he said. "Engineering I think we can solve. We don't have a problem of investment. The only problem that we have to solve is management."

Although the concessionaires regard the raising of finance as tricky, they agree that demand for transport is so high in Bangkok – and the potential profits from property development along the various routes so tempting – that viability is not seriously in doubt as long as the conflicts between the various leading contracts are resolved.

"Some serious decisions have to be taken eventually," said one senior project manager. "The question is when is that to be done? It's really a question of who builds first."

With Thai politics in its usual turmoil following the general election in March, and corruption never far from the surface, the prospect of contractors rushing to build multi-million dollar mass transit systems and present their competitors with a fait accompli is likely to attract only the hardiest investors.

And even if the three mass transit projects go ahead with all the conflicts resolved under strict government supervision, Mr Sansern will not be satisfied. "As for mass transit we need more than this," he said, pointing out that Bangkok was expanding to the east and north-east and that the new airport would be finished in eight years, requiring further transport decisions within about two years.

"We need another long-term plan," he said, "and we should start now."

Victor Mallet

☐ THAILAND: OTHER SECTORS

Important principles

ALTHOUGH the most urgent and spectacular infrastructure projects in Thailand are the proposed mass transit systems and expressways aimed at alleviating Bangkok's traffic problems, many billions of dollars are likely to be spent on other sectors of this rapidly growing economy before the end of the century.

The Thai planning authorities have expressed two important principles in infrastructural development: decentralisation, to bring economic benefits to the countryside and reduce the pressure on the capital; and commercialisation, or the involvement of the private sector in services which were once the preserve of the state.

"For state enterprises we want to be more commercialised, and then privatised if we can," said Mr Sansern Wongcha-um, director of the infrastructure projects division at the National Economic and Social Development Board. The commercialisation process, pushed forward by the reforming government of Mr Anand Panyarachun, is already under way. Among the most important projects are:

- The new airport of Nong Ngu Hao. The existing Don Muang airport suffers from a shortage of aircraft parking space at peak times and is linked to the city centre by one of the most congested roads in Thailand. A consortium of six companies has been chosen by the Airports Authority of Thailand to do consultancy work on the new airport, which will cost an estimated Bt70bn. Total investment could reach Bt200bn if related infrastructure projects are included.
- Expansion of the telephone network. The state-controlled telephone system is notoriously bureaucratic and has failed to keep pace with Thailand's economic growth. There is a waiting list of about 1m in Bangkok and 700,000 in the provinces.

In an attempt to meet demand, the Telephone Organisation of Thailand signed a contract this year for 2m new lines in the Bangkok area with Telecomasia, a company dominated by the Charoen Pokphand (CP) group, in partnership with Nynex of the US. A contract for a further 1m lines in the provinces had yet to be awarded at the time of writing.

At the moment there are only three telephones per 100 people in Thailand (but 15 per 100 in Bangkok). Even if the CP project is finished in five years, said Mr Sansern, Thailand would only reach a level of 8.5 per 100, or the equivalent of Malaysia today.

- A proposed "land bridge" across the southern isthmus of Kra; part of the plan to develop the southern seaboard. The idea is to link the Andaman Sea to the Gulf of Thailand with a pipeline, a railway, a four- to six-lane highway and large ports on either side, saving ships the long journey round peninsular Malaysia.

The State Railway of Thailand, meanwhile, is also examining other plans for new lines and improvements.

- Waste water treatment. Only 2 per cent of Bangkok's residents are connected to sewage treatment facilities. "It's a new thing in Thailand," says Mr Sansern.

There are plans valued at some Bt30bn under which private companies will build large plants in Bangkok to be operated under management contracts. The potential for new plants throughout the country is very large.

- Electricity generation. The Electricity Generating Authority of Thailand is generally regarded as one of the more efficient state enterprises but there are plans to start privatising it in order to release funds for further capacity expansion.

Victor Mallet

☐ INDONESIA: POWER PROJECTS

Test case for the future

THE HEART of the government's programme to expand the power sector lies in the construction of the Paiton complex in East Java with a planned capacity of 4,000MW. The complex will consist of four pairs of units – two of 800MW a pair and two of 1,200MW – all anticipated to be coal-fired.

The $305m contract for the construction of the first 800MW pair of units, which will be owned and operated by PLN, the state-owned electricity utility, was awarded in 1990 to a consortium led by Sumitomo of Japan. The contract for the second 800MW pair has yet to be put out to tender.

In what will prove a test case for the future of the power sector, the government has asked private consortiums to finance and construct the remaining, larger, Paiton units. The units would remain privately owned and operated. An estimated 7,000MW is already privately generated in Indonesia, but the Paiton units would be the first to be linked to the national grid. The companies secure a return on their investment by signing a long-term price agreement with PLN for their production.

Last year, the government awarded an exclusive right to negotiate for the pair to a consortium of Intercontinental Electric Incorporated (IEI) of the US and PT Bimantara Baya Nusa, part of the Bimantara Citra Group led by the second son of President Suharto.

Industry officials say that IEI's preliminary proposal was for a long-term price agreement of over eight cents a kilowatt hour, while a competing consortium of Mission Energy of the US and Mitsui of Japan had requested about 6.3 cents a kilowatt hour. Industry officials say PLN's average tariff is 6.6 cents per kilowatt hour.

The different bids would have provided a rate of return on project costing between $1.2bn and $2bn, industry officials say. One reason for the disparity of the bids, donor officials say, may have been the extent to which the different consortiums were offering to construct infrastructural facilities or differing assumptions on variable costs such as fuel.

When the IEI consortium was awarded the exclusive right to negotiate for the project, industry officials say the World Bank expressed its concern to the government over the lack of competition in the final period of negotiation. The World Bank is not directly involved in Paiton, but it is funding other PLN power projects and has set PLN long-term cost and tariff targets.

An element of competition has now been brought into the process, if only indirectly. The government has allowed the Mission Energy-Mitsui consortium to place a proposal for the construction of the remaining 1,200MW pair of units at Paiton. Neither project has yet been awarded, although the IEI proposal has received offshore borrowing approval from the government. Foreign bankers stress that the government must make a final decision quickly to win the confidence of the money markets.

Industry officials say the pay-back period for the projects would be between 10 and 20 years and there is still uncertainty as to whether either consortium will raise the finance.

Indonesia's other power sector ambition, still in its infancy, is to generate nuclear electricity.

Canada's Atomic Energy Company has an active programme training staff of Batan, Indonesia's atomic energy agency. It has established a nuclear facility in Serpong, completed in 1989, although this is presently limited to workshops, a computer centre and a cycloton to produce radio-isotopes for use in nuclear medicine.

A Japanese consortium is undertaking a consultancy study on nuclear feasibility, although no commercial reactor is likely to be in place for another 15 years.

William Keeling

☐ INDONESIA: INFRASTRUCTURE

Networks under strain

INDONESIA has experienced an investment surge in export-oriented manufacturing over the past four years, but with the increase in industry and trade its infrastructure has come under strain.

The government, supported by foreign donors, has made infrastructural development a priority, but the problems of providing cohesive power, communication and transport networks in a nation of more than 13,500 islands are immense.

The pace of development is also limited by a public and private external debt of $75bn, and a debt-service ratio for public debt of 31 per cent of export earnings.

The government has ambitious plans for PLN, the state-owned electricity utility, to double its capacity to more than 18,000MW by the end of the decade. The current expansion programme includes 11 projects totalling more than $7bn, although not all are certain of completion.

Concern over the cost of the expansion programme has led the government to seek private sector participation, but initial negotiations with private consortiums have been problematic. For the near future, there is likely to be an electricity shortfall, with PLN continuing to urge companies to shift production to weekends to ease demand during weekday peak hours.

There will also be long-term constraints on the telecommunications system. In 1988, Indonesia began a $4.5bn programme to upgrade to a digital network and double its capacity, but the number of lines per head remains critically low after years of neglect. Fierce competition for contracts, and disagreement over the use of soft credits to "sweeten" tenders, has led to unnecessary delays in project implementation.

In the transport sector, Indonesia's railway network is limited to the islands of Java, Madura and Sumatra with a total track length of 6,326km. There is a continuing, but not very far-reaching, plan to rehabilitate and develop the network.

Indonesia's international airline, Garuda, is planning an extensive modernisation and expansion of its fleet to keep in line with a rise in passenger numbers

The nation's port network, however, is extensive with 127 ports open to ocean-going ships and a further 222 which can cater for inter-island shipping. Tanjung Priok, which serves Jakarta, is the largest port. A development programme will expand its handling capacity to 1.2m Twenty Equivalent Unit (TEU) containers a year by 1995; twice its current capacity.

The port at Tanjung Perak at Surabaya, East Java, is also being expanded, from 300,000 to 500,000 TEU containers a year, and a modernisation programme, financed by the World Bank and the Asian Development Bank, is under way at 16 other ports.

Indonesia's international airline, Garuda, is planning an extensive modernisation and expansion of its fleet to keep in line with a rise in the number of its passengers which reached 8.8m in 1990. Its management has announced plans to buy 48 new passenger craft worth $4bn from Boeing of the US and Airbus, the European consortium.

Whether the finance will be forthcoming for all the proposed purchases is not yet clear, but Garuda is scheduled to take delivery of the first of six Boeing 747-400s in 1994 and nine Airbus A-330s in 1996.

Last year, Garuda took delivery of eight Airbus A-300-600s and four McDonnell Douglas MD-11s. Jakarta's Soekarno-Hatta airport, capable of handling 9m passengers a year, is completing a $500m expansion to double its capacity.

William Keeling

☐ INDOCHINA

A basic need for better facilities

THE need for improvement of infrastructure is far more basic in the countries of Indochina than in the rest of Asia.

The attempts of Vietnam and Laos to implement market-oriented economic reforms are hindered by poor transport facilities and inadequate communications networks.

In Cambodia, the United Nations is overseeing the start of rebuilding a country ravaged by 12 years of war.

Hundreds of thousands of refugees must be accommodated, land-mines will be a serious problem for a long time, and roads and communications are very poor.

Vietnam's cities have seen a huge increase in private business activity – albeit from a very low base – but the resultant rush hours still consist mainly of motorcycle and bicycle traffic.

However, the state of roads is such that the 1,000 miles from Hanoi to Ho Chi Minh City takes about five days of hard driving by car or about two days by crowded train.

The Australian company OTCI, has re-vamped the country's telecommunications so that international direct dialling is now available.

Substantial spending on improving Vietnam's infrastructure to support the growth of business, industry and agriculture – as well as to meet essential human needs – must await the lifting of the US embargo on dealings with the country in effect since the Vietnam War.

This blocks financing from international institutions such as the World Bank and Asian Development Bank.

Alexander Nicoll

☐ THE PHILIPPINES

Strained resources

THE Philippines has scarce resources for infrastructure development and these are under strain because of urgent need for rehabilitation of facilities damaged by natural disasters and for installation of new ones to meet the demands of a growing economy.

Although foreign assistance continues, the government has found it difficult to raise local counterpart financing. Many planned projects are still to be completed or started. Private investment is being sought through build-operate-transfer schemes in some sectors, notably power generation, but response has been modest.

In transport, many projects now receiving priority are those originally planned for 1991. The administration of President Corazon Aquino has not shown the enthusiasm of previous governments for building roads and bridges. However, flyovers sprouting in Metro Manila should improve the movement of goods and people in the metropolis from the middle of 1992.

The Philippines, because it is an archipelago of 7,100 islands, requires an extensive ports system. The Philippine Ports Authority is refurbishing the Manila port and eight others. A grains terminal and a bulk cargo terminal are due to be offered to private companies under build-operate-transfer schemes. This will ease congestion plaguing Manila South Harbour, the country's central port for international cargo.

In power generation, a World Bank study has forecast that new power plants with a combined capacity of 3,700MW are required before 1999 to meet growing demand, particularly from industry.

The state-run National Power Corporation, until recently the sole electricity producer, has been unable to provide adequate supply, resulting in crippling power outages. Last month, more than 1,500 companies in Metro Manila had to suspend operations for 10 days because of power supply shortfalls. Power cuts will contribute to price increases until supply is stabilised.

The World Bank estimated that necessary additional capacity will cost $7.5bn, of which more than 70 per cent will have to be financed from abroad.

In communications, the government plans to treble by 2010 the number of telephone lines, now standing at only 1.6 lines per 100 people. The programme is estimated to require investment of some $8.4bn.

Philippine Long Distance Telephone (PLDT), which accounts for 94 per cent of all telephones, has a programme to install 298,400 lines in Metro Manila and 147,960 lines in the provinces. New competitors include Digital Telecommunications, owned 40 per cent by Cable and Wireless, and Philippine Global Communications. However, they are confined mainly to areas not served by PLDT and have to make interconnection arrangements with PLDT for toll calls.

Jose Galang

☐ SOUTH KOREA: CONSTRUCTION

Investment in infrastructure is being given priority

AT TIMES it must appear as if South Korea has become one vast building site. Cement sales in the country last year averaged just over 1 ton for each member of the 43m population – a world record for per capita consumption.

Consumption per head of population was ahead of both Taiwan and Italy, previously the two biggest, according to Korean cement manufactures.

The sharp rise in sales of this most basic of building materials – up a fifth last year – vividly illustrates the dramatic growth in the country's construction output since the 1980s.

Cranes regularly punctuate the skyline. Around almost every corner there are subways, roads, harbours, office blocks, apartments and dams under construction.

Preliminary design work has begun on a new international airport likely to cost several billion dollars at Yong Jong do island near the port of Inchon close to Seoul.

Plans are advanced for a new high-speed rail link, as well as several new motorways and at least two new ports.

There is also substantial investment in improved water and sewerage facilities, a trebling in the size of the Seoul subway system, a large power station building programme and the proposed electrification of 50 per cent of the rail network by the year 2001.

Central government spending on infrastructure as a proportion of GNP is forecast to almost double from 1.7 per cent to 3 per cent between 1991 and 1996.

Priority is being given to investment in infrastructure, particularly transport to relieve congestion and remove bottlenecks which are preventing commerce and industry from expanding.

The government also wants to encourage investment in less economically successful areas of the country, notably the south-west region.

A special task force has been established by the president to identify the most important projects to be built during the next five years. It has proposed that nearly 40 trillion won (US$52bn) might be spent by the government between now and 1996. It proposes this would be divided between:

● Roads: where about 19 trillion won is expected to be spent on constructing 450km of new roads and upgrading a similar length of existing roads. The programme would include starting work on three new motorways, a 353km expressway between Seoul and Mokpu costing 3 trillion won; a 289km highway between Ch'unch'on and Taegu costing 2 trillion won and a 160km motorway between Taejun and Chinju.

● Railways: some 8 trillion won is expected to be invested in upgrading and electrifying the existing network and on starting work on the Seoul to Pusan high-speed railway which is expected to cost 5.8 trillion won when it is completed, towards the end of the century

● Water: about 7 trillion won is planned to be spent between now and 1996 on improving drinking water and installing new water services to less economically successful regions to facilitate industrial and commercial development.

The government also intends to extend sewerage treatment from about 35 per cent of the population to about 70 per cent by the mid-1990s.

● Port development: about 3 trillion won is expected to be spent on completing the expansion of Pusan port on the south-east coast and for the construction of two new ports at Kwang Yang, also in the south-east, and at Asan, about 100km south-west of Seoul.

Longer-term, there plans to build two more new ports, next to each other, at Kum San and Chang Hang, also on the west coast.

The Ministry of Energy and Resources, which has a separate budget funded out of a special petroleum revenue tax, plans to invest 70 trillion won by the year 2000 on new power stations and transmission equipment.

The country currently runs nine nuclear power stations. Last year, these provided nearly half the country's electricity.

By the year 2000, South Korea expects to have another 11 nuclear stations either built or under construction, making it one of the world's biggest users of nuclear power.

Developments such as these could provide opportunities for international contractors where technology and design skills may have to be imported for more sophisticated projects.

Bechtel, the large US engineering group, for example, is providing preliminary designs for the new international airport at Yong Jong do island.

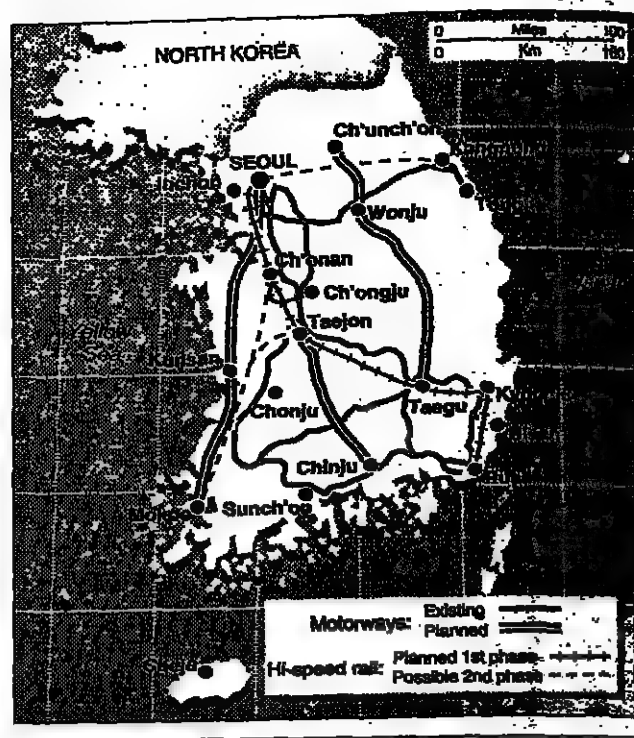
GEC-Alsthom of the UK and France, Siemens of Germany and Mitsubishi and Marubeni of Japan are among bidders competing to provide the basic design and some of the more advanced equipment for rolling stock and signalling for the 409km Seoul to Pusan high-speed rail link.

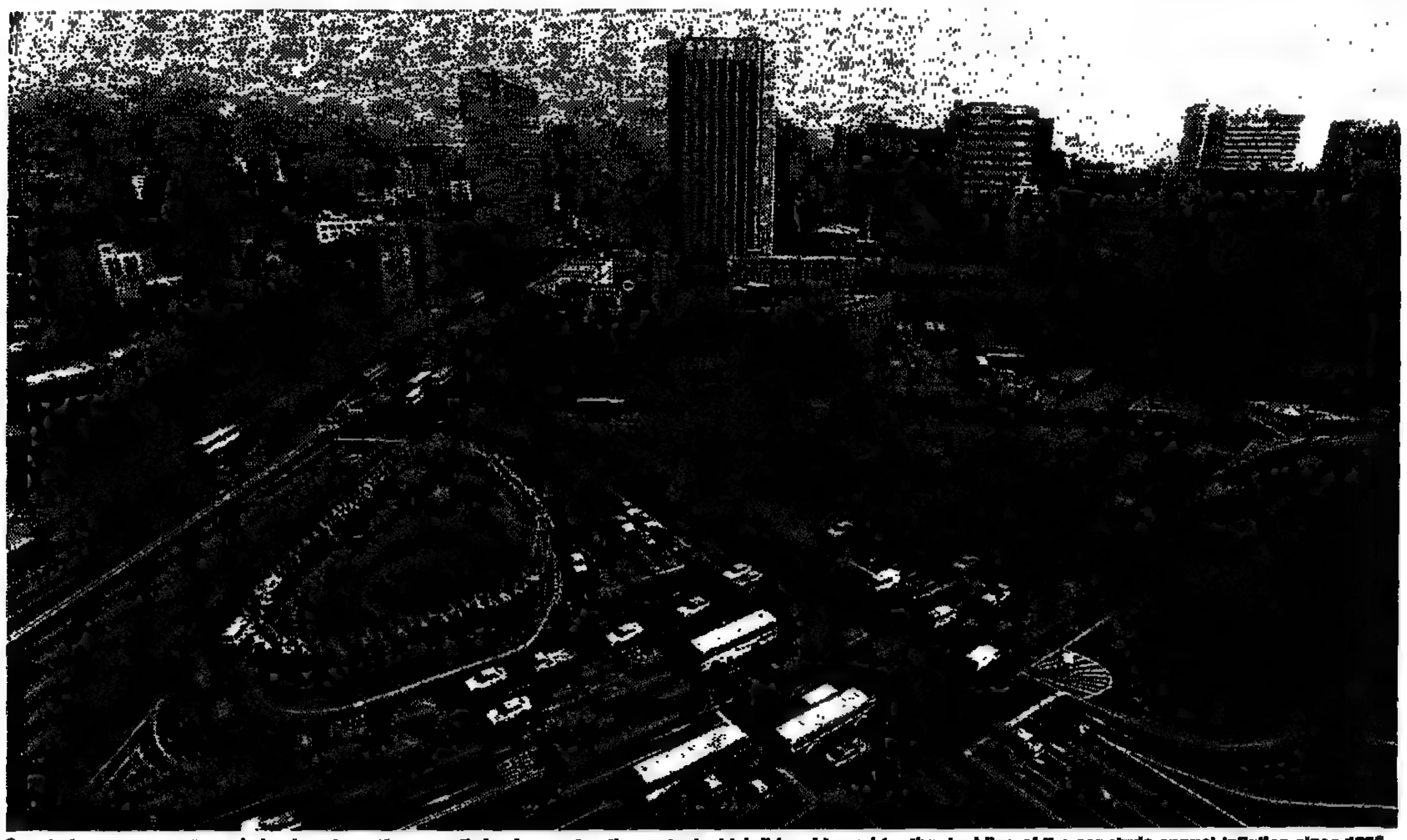
Most of the civil engineering work will be provided by Korean companies such as Hyundai and Daewoo, which during the past 15 years have become highly competitive and proficient in the broad construction skills of pouring concrete and erecting steel – both in domestic and international markets.

Opportunities for international contractors will therefore be restricted to niche areas where technology has still to be developed locally or where there has been insufficient domestic demand to encourage the development of new skills.

Korea is expected to remain a growth market for international construction for the next five to 10 years, even if some of the current ambitious proposals fail to go ahead.

Andrew Taylor





Seoul: the government needs to slow down the overall rise in construction output which it has blamed for the doubling of the country's annual inflation since 1985

☐ SOUTH KOREA: FINANCE

Difficult period

PRESSURE on the Korean economy means that the government – despite ambitious plans to increase investment in infrastructure – needs to slow down the overall rise in construction output which it has blamed for the doubling of the country's annual inflation since 1985.

Restrictions on the issue of building permits for private residential and commercial development have been introduced in a bid to reduce activity.

Controls which had been expected to be lifted in the spring have been extended. Many people believe they will remain in force at least until the end of the year – such is the difficulty of cooling the overheated construction sector.

Private development, dominated by housebuilding, has accounted for about 60 per cent of construction output in recent years.

The government's aim is to restrict real increases in output, after allowing for inflation, to between 3 per cent and 4 per cent between now and 1996. But current forecasts are that total construction output will rise by 7 per cent in real terms this year.

Since 1988, annual construction output has risen by 69 per cent, to account for about a fifth of GNP last year. Construction workers' wages almost quadrupled during the same period while GNP rose by 26 per cent.

Mr Lee Kun Kyong, director of overall planning division at the Korean Economic Planning Board, says the increase in Korean inflation to about 10 per cent last year was due in a large part to the rapid rise in construction output and wages which created labour shortages and forced other industries to increase wages.

The government has asked companies to restrict pay increases to 5 per cent this year.

Investment emphasis will now switch from housebuilding – 2m homes were constructed between 1988 and 1991 – to state- and local authority-led spending on infrastructure.

Taxes, however, will have to rise if spending targets are to be met.

The special task force established by the president to identify priority projects has recommended increased taxes on petrol and diesel to make up a potential investment shortfall of 10 trillion won by 1996.

Korea has some of the cheapest petrol and diesel prices in the world. Raising taxes would be very unpopular and might be difficult to achieve in an election year.

Programmes will also depend upon the ability of state-owned corporations to raise domestic and international loans.

These would be guaranteed by the government and would be repaid out of income when projects such as the Yong Jong do international airport and the Seoul Pusan high-speed rail link start operating.

About half the cost of the railway and about a quarter of the cost of the airport is expected to be met from domestic and international loans.

Financing the vast development programme proposed by the South Korean government therefore will be difficult.

Andrew Taylor

☐ TAIWAN: FINANCE

Projects will cost $300bn

CONSTRUCTION companies are used to perusing glossy brochures containing details of grandiose national development plans. Mostly they come to nought.

Much of eastern Europe, Africa and South America can easily identify great need for new construction. Unfortunately – in many cases miserably for their populations – ambitious spending programmes often run well ahead of a country's ability to pay for them.

Asia is one of the few regions where a need for new construction in transport, water and energy services is matched by the financial strength of some of the world's fastest-growing economies.

This is most apparent in Taiwan which last year launched a six-year development plan to modernise its infrastructure and remove bottlenecks which are constraining manufacture and transport of goods and services in the country. The programme is expected to cost more than $300bn between 1991 and the end of 1996.

The country has enjoyed continuous economic growth for more than two decades. The average annual rise in GNP between 1981 and 1990 was 8 per cent. It was almost 9.7 in the previous decade.

Foreign reserves at the end of last year totalled about $80bn while the country had a balance of trade surplus at the end of 1991 of $15.7bn.

Central government borrowings as a proportion of annual spending only once exceeded 10 per cent between 1981 and 1991. In three of those years, government debt as proportion of its annual spending was less than 3 per cent.

This state of affairs may change as state, local authorities and public sector corporations increase borrowings to pay for new construction,

Taiwan Power, the state-owned electricity generating corporation, has estimated that it will need to raise domestic and international long-term debt of $70bn by the year 2001. The money will meet three quarters of the cost of a $94bn power station development and expansion programme.

Phase one of the Taipei mass transit system: construction is being funded by the public sector

In the fiscal year to the end of June, the government is expected to have raised T$235bn ($9.5bn) in treasury bonds. This is likely to represent about 24 per cent of central government spending in the current year and would be a threefold increase on the value of the previous year's government bond issues.

The pace of public sector borrowing is likely to be sustained as construction of large-scale projects gets underway. There is some concern about the impact this may have on domestic inflation and interest rates.

Inflation in the year to the end of March rose to 4.5 per cent – the fifth month in succession that annual inflation has been more than 4 per cent. Traditionally inflation has been running at less than 3 per cent a year in Taiwan.

Mr Wang Chien-hsien, finance minister, has said that he will not pursue developments at the expense of Taiwan's strong economic and financial position. Budgets, he stresses, will be determined annually according to the prevailing economic climate and will be trimmed back if necessary.

It is difficult, however, to see how Taiwan can avoid a big increase in public construction given the shortcomings of its infrastructure which has reached the point at which it is restraining further economic growth.

Last summer, demand for electricity outstripped the productive capacity of power stations, leading to a series of power cuts across the country. Congestion on the roads, particularly in Taipei, the capital, causes serious delays and inhibits the free movement of goods and services essential for a healthy economy.

There is also concern about growing social unrest as people demand improvements to their way of life.

About one third of Taiwan's domestic waste is estimated to be disposed of on illegal dumps because of the shortage of landfill sites.

There is an urgent need to ease the strain on large cities. One of the most important aims of the six-year plan is to encourage greater commercial and industrial development away from the cities to rural areas.

This will require large-scale pump-priming of public sector investment in land and services before private investment in new factories, process plant, offices and shops will follow.

There will be some opportunities for private sector investment in infrastructure but these are likely to be only small in comparison with the overall cost of development.

The Finance Ministry has indicated it would prefer the proposed T$40bn mass transit link between Chiang Kai-shek international and Taipei domestic airport to be financed by private investors. This compares with the T444bn construction cost of the first phase of the Taipei Mass Transit system, currently under construction, all of which is being funded by the public sector.

There are also plans to privatise small sections of the proposed new national motorway network as well as the new high-speed rail link down the western corridor of the island. In most cases, however, public investment will have to bear at least the brunt of the initial investment.

The expected pace of development during the next few years, therefore, is likely to lead to a big increase in public sector capital programmes. Annual investment in construction by the public sector is forecast to rise from an average of about 7.5 per cent of GNP during the mid-1980s to an average of almost 14 per cent between 1991 and 1996.

While there is concern about the impact that this level of spending will have on inflation and interest rates, there is sufficient room within the Taiwanese economy to carry out a large slice of a programme to which it seems firmly committed.

Andrew Taylor

☐ TAIWAN: INFRASTRUCTURE

An ambitious programme

TAIPEI is yet another teeming, sprawling congested Asian city which has long outgrown the ability of its roads, railways, power generation and other services to cope with the rapid growth of its economy and population.

Everywhere there is evidence of new construction, from scaffolding and tower cranes to the concrete stumps which will carry the elevated sections of the city's new $18bn mass transit railway.

This is a country in the middle of rebuilding its infrastructure with a vast $300bn six-year development plan approved last year by the Taiwanese government.

The programme is very ambitious and expensive. There will be opportunities for international contractors, designers and consulting engineers to bid for work in areas where the Taiwanese lack skills

The Taiwanese will need international assistance to design and build the large numbers of bridges and tunnels needed as new roads and railways push across its mountainous terrain.

Core electrical and mechanical systems for power station and railway construction – generating sets, rolling stock, signalling, automatic ticketing systems – will also need to be imported.

Bilfinger and Berger, the German construction group, recently won a T$18.8bn ($750m) contract for a 4.5km section of Taipei's $18bn Mass Rapid Transit light rail system. The contract includes construction of four stations and all the electrical and mechanical equipment for the route.

Matra of France and GEC Alsthom, the Anglo-French engineering group, have separately supplied the core system and rolling stock for the T$25bn first section to opened of the mass transit railway which is due to start operations next year.

The Taiwanese government, concerned at a rising trade deficit with Japan, has asked the state-owned electricity generating corporation to try to buy equipment and design assistance from countries other than Japan.

International companies in many cases will be expected to bid in joint venture with local firms.

The main elements of the six-year plan include:

● Roads: Approaching 1,500km of new motorway are planned by the end of the century under national and provincial investment programmes. A 117km Northern Second Freeway between Hsinchu and Taipei, expected to cost T$176bn, is under construction.

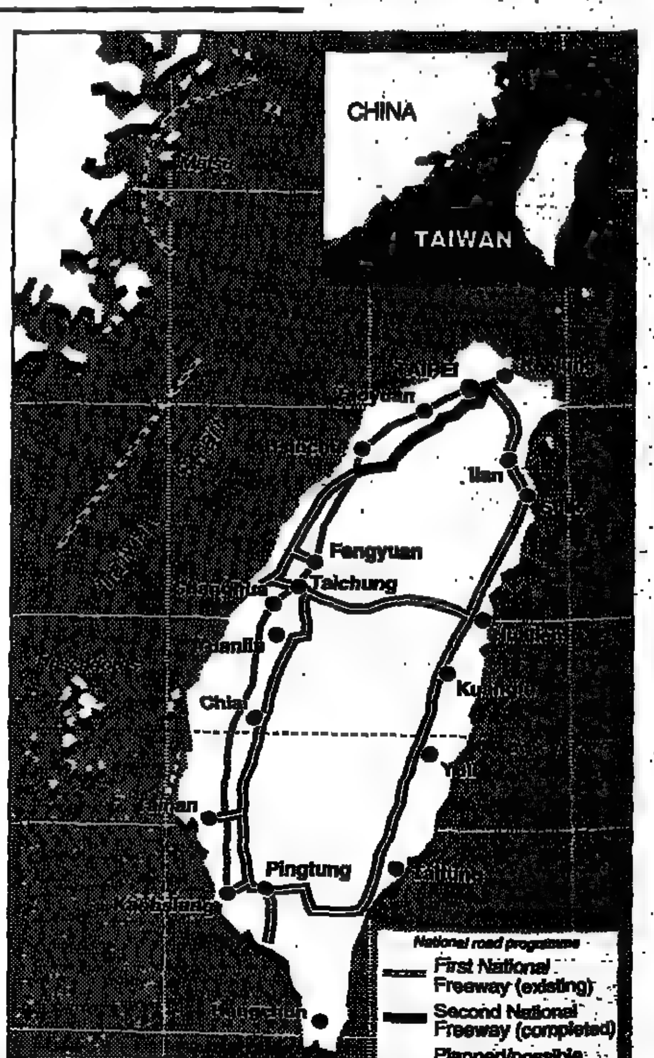
There are plans to build a T$60bn freeway 31km long between Taipei and Ilan in the north-west. This will require five long tunnels.

A much more ambitious proposal is to build a 444km expressway up the western side of the island which will join up with the Northern Second Freeway to connect Kaohshiung in the south of the island to Taipei in the north. It will run parallel to the existing and often congested Sun Yet-Sen freeway. The road will be let in three sections costing a total of T$550bn.

● Mass Rapid Transit: About 80 per cent of the contracts for the 88km Taipei mass transit railway are already let. About T$50bn for electrical and mechanical work, however, has still to be let. Most of this will go to internal companies.

Planning for a mass transit railway in Kaohshiung is well advanced and will provide more opportunities for overseas contractors. Several more such railways are planned for other Taiwanese cities under the six-year development plan.

● Energy: A big power station construction and expansion plan is proposed. The publicly-owned Taiwan Power Company wants to spend $93.8bn over the next 10 years on increasing the country's productive capacity from 18,383MW to 28,500 MW. It says the programme is essential to prevent power cuts which occurred last summer.



The six-year plan envisages about $35bn being spent by 1996 on building and expanding power stations.

● High-Speed Rail: A 345km high-speed rail link between Kaohshiung and Taipei represents one of the biggest single investments proposed by the Taiwanese government. Planning and design have been approved but the budget for the T$426.6bn rail route has still to be confirmed.

Cost of providing the core system – rolling stock and electrical and mechanical equipment – is estimated at about $2bn. Bidders include GEC Alsthom, AEG of Germany and Kawasaki of Japan.

● Environment: Taiwan is running out of room to dump all its domestic waste. It currently operates two incinerators, both in the Taipei area, and 200 landfill sites all of which will close by the end of century. Seven more incinerators are under construction, using Japanese technology, at a total cost of about $41.1bn.

A further 12 incinerators with a combined cost of $1.6bn are planned. It is hoped these will be built by international companies in joint venture with local firms. Efforts are being made to encourage US and European contractors in particular.

The six-year plan also proposes heavy investment in water and ports as the country tries to encourage new development away from overcrowded cities into previously rural areas.

Andrew Taylor

RECRUITMENT

JOBS: Study of workers planning to move reveals discouraging view of employers' concern for people

The main reasons why so many want out

WHAT makes people decide to go to a new employer? The question is prompted by something the Jobs column first reported three weeks ago while discussing the recession's effect on British workers' attitudes as shown by two surveys made by the Wyatt consultancy, the original in 1988 and a follow-up late last year.

One of the most striking changes since the good times of 1988—and the one I'm particularly concerned with—is a sharp rise in the proportion of people intending to find a new job as soon as the employment market allows. But as not everyone reading today will have been in the congregation three weeks back, I had better recall the context in which the said rise occurred.

The main surprise of the findings was of the cheery sort. Admittedly, the out-of-work were excluded, both studies being confined to people with full-time jobs, over 3,000 the first time and 800-plus in the follow-up. Among those who had survived the recession employed, however, morale had improved between the two surveys.

There were several signs of a general feeling that cut-backs had left organisations fitter to profit from economic revival. Almost four fifths, compared with three in five before, felt that the quality of their employing concern's products was good, and 57 per cent compared with 45 said that they would recommend it to other people as a place to work. Personal satisfaction with the job was reported by two thirds, as against 59 per cent.

What bugged me, however, was that at the same time the share intent on changing employers had leapt from 13 per cent to 23. So borrowing Wyatt's breakdowns of the responses to the 99 survey questions, I began examining why so many recession-pounded people should itch to be up and away.

The first thing they called to mind was that maxim of the 1914-18 trenches: "If you knows of a better 'ole, go to it." Clearly, while folk wanting out in such circumstances must be dissatisfied where they are, their urge can be either positively or negatively motivated.

In the positive case, the new hole is sought because it is envisaged as better in being not just more congenial, but favourably sited for personal advance. In the negative case, the sole reason for seeking the new hole is the belief that a shell is going to land on the present one any minute.

Accordingly, I picked out of the consultancy's data three topics on which dissatisfaction would seem apt to give people the positive idea that they'd do better elsewhere. The trio are the opportunities for promotion in the present outfit, its record in selecting the right people to promote, and the pay it provides by comparison with the rates for similar work in other outfits. I also chose one negative spur: anxiety about the longer-term security of the existing job.

The result is the table alongside which, for each of the four topics, compares the percentages declaring themselves unhappy most recently with those who did likewise in 1988, together with the shares intending to move. After giving the overall figures at the top, the table breaks them down by sex, age, length of time with the current organisation, and its sector of activity.

As may be seen, on the first positive prompter—opportunities for promotion—dissatisfaction largely worsened between the two dates. Only in three cases was there an opposite swing: people with three to five years' service, and in central government and state-owned operations such as British Rail and public education.

Even so, opinions on employers' propensity to promote the right people shifted the other way. An improvement was registered in all groups except manufacturing and "other service" employees showing no change, and 16- to 24-year-olds and those with five to 10 years service who saw things as worse.

Much the same applied also to views on pay-levels as compared with rates elsewhere. All showed at least some improvement apart from manufacturing folk, again with no change, and four opposite movers: the 45-54 age group, those with 10-20 years service, and local government and other service staff.

So it would appear that, on the whole, my three positive pointers contributed at best very little to the increase in intentions to be up and off. But there's no ambivalence whatever on the negative pointer. Anxiety about current job security has risen all round – suggesting that the main appeal of a new hole nowadays is less the expectation of its being better than the belief that it could hardly be worse.

Moreover, that interpretation is confirmed by a special study kindly made by Wyatt of all the factors which significantly distinguish those intent on moving from their counterparts who are not. Besides feeling less secure in their present post, markedly more of the out-wanters viewed their workplace's procedures as not making sense, let alone allowing them to do their job well. They also saw their organisation as quite the reverse of interested in its employees' well being, or in treating them with respect and dignity, or in giving them chances to use individual skills.

In short, it is for the most part throughly negative factors that are linked with the wanderlust. The fact that the latest survey showed nearly a quarter of workers in that state, is something of which British employers should be ashamed.

Michael Dixon

Type of respondents	Percentage of people responding who said that they were dissatisfied with: Opportunities for promotion		Choice of people for promotion		Pay in company vs elsewhere		Longer-term security		% intending to find a new job	
	1991	1988	1991	1988	1991	1988	1991	1988	1991	1988
All	38	34	38	40	31	34	49	36	23	13
Men	39	34	40	41	31	35	51	39	22	12
Women	36	33	35	36	33	34	45	27	25	16
Age: 16-24	35	28	36	28	34	35	40	30	30	22
25-34	40	38	42	44	27	35	41	34	31	11
35-44	38	36	39	45	32	36	55	38	16	11
45-54	40	36	37	42	34	32	57	41	20	6
55-plus	36	37	34	41	29	33	55	34	12	9
Service: 3-5 years	33	39	37	38	32	35	45	32	23	17
5-10	45	37	51	44	28	38	51	35	25	10
10-20	44	40	41	49	36	35	52	37	14	8
20-plus	29	29	29	45	22	36	54	39	12	5
Sector: Central gvt	34	43	48	49	41	56	30	23	16	13
State-owned	29	38	45	49	28	40	59	35	22	11
Local gvt	43	37	39	48	39	37	64	39	23	10
Manufacturing	41	34	40	40	33	33	61	40	25	11
Finance	30	21	27	29	21	32	36	18	19	14
Other service	39	32	33	33	34	31	48	35	33	16

AN INTIMATE, LASTING RELATIONSHIP CLIENTS TRUST, VALUE AND BANK ON

Relationship Managers

CIRCA £40,000 + PERFORMANCE BONUS + PRESTIGE CAR

Trust and personal service are the cornerstones of a successful business relationship. At American Express Bank, this simple belief has been refined, perfected and driven to its ultimate, qualitative reality. We have become the trusted partner of many of the world's most successful people.

That trust leading to an intimate understanding of personal needs and circumstances. And, providing the impetus for intelligent, individually tailored financial solutions, helping clients develop their business interests, and preserve and enhance their personal wealth and lifestyle.

A trust nurtured, earned and maintained one-to-one by their Relationship Manager. Accessible, knowledgeable, professional, innovative. Drawing upon wide financial skills and experience, the technical support of a multi-disciplined relationship management team and the full range of products and services available from American Express Bank worldwide.

Success in the relationship management role calls for an unusual blend of personal attributes, including an appreciation of different cultures and languages.

As a foundation, you need solid banking experience, private or commercial, in working closely with individuals of high net worth. As importantly, first class interpersonal, communicative, linguistic, analytic and creative problem solving skills need to be combined with the strong marketing ability to develop existing and new client relationships across diverse cultures.

As part of American Express Bank, you will find the high quality team support, resources and products to satisfy and exceed the expectations of your clients.

You will also find great scope for developing in your own way, in a dynamic international banking environment.

Please write with a full c.v. to: Olivia Hughes, UK Human Resources Manager, American Express Bank Limited, PO Box 766, 60 Buckingham Palace Road, London SW1W ORU.

AMERICAN EXPRESS BANK

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Corporate Finance

c.£32,000 + Bonus + Benefits

Currently committed to expansion, this forward looking UK Merchant Bank needs a dynamic executive to compliment its mainstream M&A team.

This is an ideal first career move for an individual keen to demonstrate their commercial awareness in a fast moving environment where excellence is rewarded with early promotion and responsibility.

To succeed you should possess excellent academics (2:1 minimum) and be either MBA or ACA qualified (first time passes). Our client would also be interested in candidates with up to 18 months corporate finance experience who can demonstrate specific transaction exposure.

Capital Markets Analyst

c.£30,000 + Bonus + Benefits

This high profile US Investment Bank has an aggressive expansion plan for their front office team and is actively seeking candidates with proven research and analytical capabilities.

The role will be varied and include providing up-to-date knowledge of markets to clients, the preparation of presentations to prospective investors as well as technical analysis.

Outstanding academics are a prerequisite together with at least 2 years investment banking experience, preferably within Capital Markets. You will need to be extremely computer literate with good report writing skills and a strong mathematical bias. Your flexible personality and confidence to operate in a demanding and challenging environment will ensure you gain this unique career opportunity.

Please contact Richard Pooley and Carole Edmunds on (071) 583 0073 (day) or (071) 371 5666 (evenings and weekends) or send your cv in complete confidence to: 16-18 New Bridge Street, London EC4V 6AU. Or fax (071) 353 3908.

BADENOCH & CLARK
recruitment specialists

INTERNATIONAL M&A

Expanding international M & A advisory firm with offices in ten countries globally is seeking entrepreneurial M & A professionals with 3-5 years transaction experience to join its London and Paris offices.

Firm is a leader in mid-market cross border M & A.

Please send resume in confidence to us to obtain further information. Box A1824, Financial Times, One Southwark Bridge, London SE1 9HL

J Henry Schroder Wagg & Co Ltd

Corporate Finance Executive Italian Linguist

J Henry Schroder Wagg is one of the world's most prestigious merchant banks. The investment banking division has established itself as a leading adviser in both the UK and international corporate finance markets. The division provides advice on all aspects of corporate finance including takeovers, cross-border M&A, disposals, restructuring, raising finance, privatisations, listings and placements.

As part of the continued development of its European-related business, the development now wishes to appoint an executive to be involved in all aspects of corporate advisory work but with particular responsibility for Italian related transactions.

Applicants should be:

- Aged 25–29
- English mother tongue
- Fluent Italian speakers
- ACAs
- Dedicated to building a career in corporate finance

In addition candidates must be able to demonstrate the necessary personality, initiative, ambition, confidence and energy to contribute to this highly successful division.

To discuss this opportunity in detail please contact Tim Clarke on 071-379 1100 or write to him at The Bloomsbury Group, Executive Selection, 4th Floor, 177 High Holborn, London WC1V 7AA.

Substantial Package *AAA European Bank* *City*

Senior Corporate Dealer

An appealing career move for an experienced Corporate dealer to join a treasury group generating consistently high profits and concentrating on quality business. The Bank is a global player in Capital Markets with particular expertise in risk management. Its strategy is client driven and the Bank is noted for its strong historical relationships with UK Plcs. Career prospects are excellent with potential moves into Financial Engineering or an international posting.

THE POSITION

- Manage a varied portfolio of clients, working closely with account managers, traders and product specialists to achieve set objectives.
- Market and execute the full range of treasury products with a special emphasis on interest rate and currency risk management.
- Work in a small cohesive team supported by stable trading desks and a management team prepared to invest for the long term.

THE QUALIFICATIONS

- Ideally a graduate with a a mathematical bias. Minimum of five years experience on a Corporate desk, preferably with exposure to non-bank financial institutions. French language is an advantage.
- Strong product knowledge is essential especially Swaps, FRAs, Options and other risk management products. Computer literate.
- Confident, assertive, capable of building relationships in the bank and with its clients. Achievement driven, yet ready to put the team's performance first.

London 071-973 0889
Manchester 061-499 1700

Selector Europe
A Spencer Stuart Company

Please apply, enclosing full details to: Selector Europe, Ref F7850421, 16 Connaught Place, *London, W2 2ED* 071-973 0889

CORPORATE FINANCE
£30,000-£40,000+ Benefits

The corporate stockbroking division of a major European bank requires either newly qualified accountants or young bright corporate financiers with 2/3 years experience to join an expanding, very active and profitable team. For outstanding dynamic candidates this is an exciting opportunity to work on major advisory/funding issues. Ideal candidates will currently be working for one of the leading corporate finance teams.

Please contact Ron Bradley on 071-623 1266.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-626 5259

JONATHAN WREN

FINANCIAL FUTURES SALES
min £40,000 + substantial bonuses

On behalf of a major international bank we currently seek a high calibre futures/options salesperson. Candidates aged 25-32, should have a good academic background together with at least 3 years experience in selling exchange traded products to a UK and continental European client base. The ability to speak at least one major European language, in addition to English, would be an advantage. This position offers outstanding opportunities.

Please contact Tim Sheffield on 071-623 1266.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-626 5259

JONATHAN WREN

ACCOUNT EXECUTIVE/ PORTFOLIO MANAGER
N.W. Stockbrokers

A leading independent stockbroker is currently seeking a professional young account manager to handle an expanding portfolio of private clients.

Working with an experienced team he or she will be involved in monitoring markets, assessing investment potential and advising clients accordingly.

The successful candidate will be offered a competitive remuneration package and first class benefits.

Please write with C.V. to Box A1823, The Financial Times, One Southwark Bridge, London SE1 9HL

HEAD OF DEVELOPMENT OFFICE

The National Gallery invites applications for this post.

The successful applicant will head the Development Office, whose purpose is to support the activities of the Gallery by raising private money in a variety of ways. These include sponsorship for exhibitions, donations for building projects, support for staff costs and equipment purchase and a corporate *benefactors scheme.*

We are looking for somebody with flair, imagination and energy, able to play a creative role both within the Gallery and with bene-factors in developing fund-raising priorities and strategies. Sympathy with the Gallery's objectives, an ability to work with a wide range of people and good organisational and *management skills are essential. Experience of fund-raising and/or in the* world of business, sponsorship and the arts would be very valuable.

The salary for the post will be in a range from £26,130 to £30,820 a year. Where in the range a person starts will depend on qualifications and experience. The appointment will initially be for three years, with the possibility of extension. There is a good pension scheme.

For further details and an application form (to be returned by 15th May 1992) please telephone or write to Miss C. Hall, The National Gallery, Trafalgar Square, London WC2N 5DN: Telephone no. 071 389 1712.

The National Gallery is an Equal Opportunities Employer.

THE NATIONAL GALLERY

BANKING ANALYST

N M Rothschild & Sons Limited, a leading international merchant bank, requires an experienced banking analyst with appropriate credit analysis skills. The post will be responsible for analysing and monitoring all banking relationships within the Bank's Treasury Division, and will swiftly develop into the focal point for all bank analysis matters.

Reviews of all banking and other financial counterparties will include both regulatory and technical analysis; the work will also entail interpreting results, preparing and presenting reports, providing strategic advice, maintaining effective relationships with other institutions and agencies, and generally monitoring the international banking and finance communities with a view to identifying and advising on key developments with credit implications.

Candidates should have a relevant numerate or business degree followed by some 2-4 years' banking analysis experience in a major financial institution or rating agency. A proven ability to develop spreadsheets and databases is essential.

The position offers a highly competitive salary together with an attractive package of banking benefits. Career development opportunities will be available for the right person.

In the first instance, please send a personal résumé detailing your experience, in the strictest confidence, to: Andrew S May, Director of Personnel Services, N M Rothschild & Sons Limited, New Court, St Swithin's Lane, London EC4P 4DU.

N M ROTHSCHILD & SONS LIMITED

ESN

ESN PENSION MANAGEMENT GROUP LIMITED

Assistant Treasurer

c.£25,000 pa **Victoria**

ESN Pension Management Group Ltd is the sole fund manager for the Electricity Supply Pension Scheme which is currently valued at approximately £10 billion and ranks as the second largest pension scheme in the UK. Following the privatisation of the Electricity Supply Industry the Scheme operates as a unitised fund for the 17 participating companies within England and Wales.

As a result of the growth of the Scheme's investments and the changes in the company's style of operation, a new opportunity has been created for an Assistant Treasurer in the company's offices in Victoria.

Reporting directly to the Treasurer, you will assist in the day to day investment of cash balances of the Scheme including its associated companies. This will involve liaison with banks and other financial organisations. As the Scheme has extensive overseas investments, you will also assist in controlling the investment of foreign currency balances. Close liaison with the Securities Division will be necessary as well as the need to carry out financial assignments.

You must:

- have treasury experience in a large commercial/fund management organisation;
- possess experience of funding methods, interest and exchange rate management, money market dealings and procedures;
- Have good communication skills and the ability to meet deadlines;
- preferably be a finalist accountant and have experience of computerised treasury systems.

Applications in confidence with a full CV and quoting current remuneration details should be sent as soon as possible to: Recruitment Section, 30 Millbank, London SW1P 4RD.

Equal Opportunity Policy Applies

£30-50k packages

ANALYST **CORPORATE FINANCIER**

Two excellent Central London based opportunities to join the elite team within an extremely successful specialist Corporate Financial Advisory Company.

Analyst – candidates must have a good track-record as an analyst of corporates within a bank and the ability to interpret industrial and financial information in order to advise on strategic decisions.

Corporate Financier – suitable applicants will be Chartered Accountants with 3/4 years PQE gained within a major financial institution, who possess first-class interpersonal skills. There will be early responsibility in all aspects of work including M & A, LBO's, MBO's and private placements.

Interested applicants should send a full CV to Peter Green (re: Analyst) or Peter Minns (re: Corporate Financier) at Douglas Llambias Associates, 410 Strand, London WC2R 0NS, or telephone 071 836 9501 quoting reference FT29492/A or CF.

EDINBURGH 031-225 7744

GLASGOW 041-226 3101

DLA DOUGLAS LLAMBIAS

LONDON [illegible]

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RECRUITMENT CONSULTANTS

Senior Managers

International Corporate Tax Services London

Partnership prospects Substantial salary

With increasing demand for our specialist tax services, Price Waterhouse London is keen to recruit top quality senior managers with partnership potential.

You will join a team which specialises in the provision of expert advice on international tax issues to an unparalleled list of major multinationals, many of whom are actively involved in cross-border mergers and acquisitions. The demands of these clients *require the very best tax professionals to* provide top quality service on demand, worldwide.

Ideally, you should be a qualified chartered accountant or solicitor, probably in your early thirties and trained in a large professional firm. You should have a good academic background, strong tax technical and interpersonal skills, and a keen commercial sense.

In PW you will find an environment committed to serving the cream of the multinational business community and to providing you with long-term career satisfaction. We offer an attractive benefits package appropriate to your experience, and real opportunities for partnership if you can *demonstrate the necessary abilities.* Please write, with a brief C.V., to Bonne Paton, Head of Tax Recruitment, Price Waterhouse, 32 London Bridge Street, London, SE1 9SY or call her on 071-939 2068.

Price Waterhouse

OFFICES IN: LONDON • ABERDEEN • BEVERLEY • BIRMINGHAM • BRISTOL • CARDIFF • EDINBURGH • GLASGOW • HULL • LEEDS • LEICESTER LIVERPOOL • MANCHESTER MIDDLESBROUGH • NEWCASTLE • NOTTINGHAM • REDHILL • ST. ALBANS • SOUTHAMPTON • WINDSOR • ASSOCIATED FIRMS IN IRELAND, THE CHANNEL ISLANDS AND THE ISLE OF MAN

SENIOR MANAGER

Structured Finance

C. London

c. £40,000 + Car + Bens

A successful track record in structuring the financial arrangements of a wide range of clients combined with increasing levels of business and in-house expertise has led this 'Big 6' International Accounting practice to establish a dedicated Structured Finance Group within its Corporate Finance Department.

The Senior Manager will concentrate on three business areas being Project Finance, Financial Engineering and Debt Raising and Advice. You will form part of a team devising and evaluating financial structures, developing new products and providing advice on various forms of debt finance to tailor specific client needs.

You will capitalise on the strong range of contacts, services and products that the firm currently offers, contribute to marketing and business development and demonstrate the creativity and energy necessary to maintain the highest levels of professionalism.

The successful candidate, aged 28 upwards, will demonstrate a minimum of 2/3 years structured/project finance exposure within a City Institution. Other essential attributes will include a strong academic background and/or professional qualification as well as a good level of contact within the banking community and first rate interpersonal skills.

*Interested candidates should write to **Michael Herst** or **Jane Braithwaite** quoting Ref MH382 and enclosing a full curriculum vitae.*

HARRISON WILLIS

EXECUTIVE SEARCH & SELECTION

39-40 Albemarle St., London W1X 3FD. Tel: 071-629 4463

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UK FUND MANAGEMENT

The opportunity to take responsibility for investment strategy and implementation and contribute to business development in a young, successful fund management firm.

Attractive south of London location

City competitive salary and benefits, and equity opportunity

The business has been established 5 years, having evolved from the in-house department of what is now the company's largest client and major shareholder. Since establishment the company has developed a diverse clientele and range of products, and its assets under management now total £300 million. Investment performance has been consistently high, with pension fund returns in the top quartile. Funds are invested mainly in UK equities and gilts.

The company now wishes to appoint an experienced fund manager to take responsibility for investment strategy and execution. The appointment will also carry responsibility for client reporting and for combining with the MD and Marketing Manager in seeking to win new mandates. The appointment is on the management board and carries both the opportunity to become fully involved in the company's business and the responsibility to undertake a wide variety of functions personally.

Candidates should be UK fund managers with a demonstrably high investment performance track record, preferably with experience of marketing for new business. Your investment approach should be compatible with the firm's existing style, which emphasises the importance of fundamentals in stock and sector selection.

To apply in confidence please write with CV to **John Sears, Managing Director, John Sears & Associates, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP. Fax: 071-222 3445, Tel: 071-222 7733.**

John Sears and Associates

Executive Search & Selection in Investment Management

A MEMBER OF THE SMCL GROUP

MORGAN STANLEY INTERNATIONAL

Equity Compliance Analyst

Age: Mid-Late 20s **London**

Morgan Stanley International, a major international securities firm, is looking to recruit an Equity Compliance Analyst to its Legal and Regulatory Affairs Department. The Firm provides services to a large and diversified group of clients, including securities underwriting, distribution and trading, corporate finance and stock brokerage services.

The Compliance Department which forms a part of the Legal Group deals directly with regulatory and compliance issues. This individual will assist in all aspects of compliance for the equity and equity related businesses. This will include surveillance of sales and trading activity, providing advice and interpretation of the Firm's policies, as well as industry rules and regulations (Securities and Futures Authority, London Stock Exchange), and ensuring compliance with all regulatory obligations.

Candidates should be educated to degree standard, ideally in law or accounting, have a sound product knowledge in equities and equity derivatives and ideally have current compliance experience gained within a Securities House or Bank. In addition they must be able to demonstrate numerical, analytical and computing skills and an ability to thrive under pressure, combined with strong interpersonal skills. Basic salary, which will be negotiable based on experience, will be significantly enhanced by the excellent benefits package provided. Interested applicants should contact Ann Semple or Paul Wilson on 071 831 2000 or write to them at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page City

International Recruitment Consultants

London Paris Amsterdam Brussels Dusseldorf Sydney

OVERSEAS SERVICE ENGINEER

We are looking for a key field and source inspection engineer for new construction of oil refinery, petrochemical, chemical & LNG plants in the Southeast Asia, Middle East, and/or Central Africa. Candidates' qualifications and/or experiences are:

*P/V Welding:
ASNT level II/III or equivalent for RT, UT, MT & PT
*Rotating equipment:
Site exp'y of LGN compressor, & others
*Piping:
Excellent experiences
*Civil:
Excellent experience
*Nationality:
British preferred

An attractive remuneration package will be offered to the successful candidate.

For application, please write to Section FSI/PD attaching a full Curriculum Vitae.

PEC International, Inc.
Tokyo Japan

FAX: -81-3-3505-6358

OR

Please write to Box A464,
Financial Times,
One Southwark Bridge,
London SE1 9HL.

JOSLIN ROWE

STRUCTURED FINANCE **to £35,000**
Established name in Structured Finance wishes to appoint an experienced individual at Assistant Manager level. The primary responsibility will be to expand the involvement in structured transactions and ensure adequate risk management. Areas covered will include M&A, LBO's, MBO's, Cash Flow Based Lending, Privatisation Finance & Tax Based Finance. Graduate or professional level education essential.

RESEARCH ANALYST **to £30,000**
Prestigious City Bank requires an experienced Researcher for their European division. Analysing industries and corporates in the UK and Europe, you will produce research reports, advise on marketing strategy and develop contacts with sector specialists. A strong background in a research role (3 years +) is essential. Candidates should be degree educated and possess fluency in a European language. Age 27-35.

CREDIT ANALYST **to £30,000**
Premier North American House wishes to recruit an ambitious, US trained Analyst to undertake examination of counterparty risk in respect of Capital Markets business. Suitable applicants will be self-starter Graduates with at least eighteen months' Credit Analysis experience in a high pressure environment. Additional European language skills advantageous.

FUND MANAGERS **£AAE**
This leading City based Fund Managers currently seeks to appoint both a UK and a Continental European Investment Manager. Ideally degree educated, candidates should be aged 25-35 with several years' relevant experience gained within a respected firm. In addition to managing funds, duties will include new business presentations and contributing to the development of investment strategy.

EQUITY CONTROL **c£30,000**
Excellent opportunity to join the high profile Control area of this premier Investment Bank. Responsibilities will include control of profit & loss reporting in the equities division, preparation of statutory accounts and management liaison. The successful candidate will possess strong communication skills and the ability to work in a deadline driven environment. ACA/ACCA qualification desirable.

SECURITIES OPERATIONS MANAGER **c£30,000**
Dynamic Securities House currently seeks to appoint a degree educated Securities Manager (aged to 35) with several years' experience in Equities, Eurobonds and related Derivatives. Experience should include cash management, control and funding. A high degree of computer literacy is also sought. Excellent opportunity for a highly motivated individual.

TEL: 071 638 5286 FAX: 071 382 9417

INVESTMENT MANAGEMENT LATIN AMERICA

Our client is one of the leading London based investment groups with substantial funds under management. It is planning to develop its emerging markets portfolios and seeks to appoint an investment manager to assist in the management of its Latin American investments.

The successful candidate, aged 28/32 with a relevant degree, and the ability to work in the UK, must have a minimum of 3/4 years experience of Latin America. This should preferably be in an investment environment, but possibly in a banking or another related area. Fluency in Spanish/Portuguese will be an advantage. An attractive salary package will be offered.

For further information, please call Martin Symon on 071-623 1266.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP
Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

Credit Analyst

Standard & Poor's, the world's leading provider of credit ratings, seeks an analyst for its London office.

The analyst will assess the credit quality of regional and local governments and utilities, primarily in Europe, and participate in the assessment of similar entities worldwide. Responsibilities include conducting analytical meetings with senior government and company officials, and preparing analyses for internal committees and external publication. Extensive travel required.

Candidates should have an advanced degree in economics, finance, and/or public policy; credit or financial analysis experience; strong analytical, statistical and writing skills; and fluency in German (native speaker preferred).

Standard & Poor's provides a competitive salary and benefits package.

For immediate consideration, please send your resumé with salary history to:
Personnel Director
Standard & Poor's
18 Finsbury Circus
London EC2M 7BP
ENGLAND

Assistant Investment Manager

Pooled Pension Funds

City

One of the UK's leading investment management organisations requires an additional member for its pooled pension fund client liaison and business development team. The duties will entail the reporting to UK clients on the performance of their funds, the making of presentations to prospective clients and intermediaries and the in-depth coverage of a number of UK market sectors.

The position is likely to appeal to a UK equities analyst with 2-4 years' experience in either stockbroking or investment management who is looking for a role with a greater emphasis on client liaison. Candidates must possess well developed interpersonal and written communication skills and will probably be graduates in their mid to late twenties.

If you would like to be considered for this opportunity, please write, enclosing a CV, to:

IMR Recruitment Consultants (Ref. DJ22), 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW (tel: 071-872 5447). All applications will be handled promptly and in strict confidence.

IMR

INVESTMENT MANAGEMENT RESOURCES

LDC BONDS & OPTIONS

Intercapital (Debt Trading), a subsidiary of Intercapital Brokers, has a significant brokerage business in Emerging Market loans and bonds. We continue to recruit in all our businesses, but are particularly keen to enhance our service in illiquid Sovereign bonds and the new market in LDC options.

Candidates should be 20-25 with experience in bonds or options, although not necessarily in LDC Debt, and should be prepared to work extremely hard. Fluency in Spanish and Portuguese would be an advantage. Home and social life will suffer, but compensation is production related and hard work is very well rewarded.

Please send your C.V. in confidence to:

Beverley Nicoll
Intercapital Brokers Ltd
Park House
16 Finsbury Circus
London EC2M 7DJ
Member of F.S.A.

COMPANY DIRECTOR

Twenty years experience with two international companies. Sales, marketing, systems training expertise, seeks a new and a more rewarding challenge.

Please write to Box no A 1791, Finanical Times, One Southwark Bridge, London, SE1 9HL.

Career Opportunity in Bermuda

We offer the successful applicant a tax free environment in one of the most beautiful resort areas in the world. Salary is payable in Bermuda Dollars at par with the US Dollar. Full hospital and medical insurance benefits and moving allowance.

POSITION: ASSISTANT MANAGER, INTERNATIONAL LENDING

DEPARTMENT: CREDIT

Duties & Responsibilities:

- Manage the credit requirements of the Bank's overseas offices located in London, Guernsey, Grand Cayman and Hong Kong.
- Draft and review credit policies and procedures.
- Monitor the overseas offices' lending activity and reporting.
- Assist with the overseas offices' credit administration requirements, including analysis of credit requests and their presentation to loan committees.
- Liaise with other Bank departments.
- Interview or otherwise consider credit requests from existing or new clients located in Bermuda or elsewhere.

Qualifications:

- Degree in Finance.
- Professional accounting designation or MBA preferred.
- 7 years lending experience of which 3 - 5 years must be in international lending and credit analysis.
- Extensive exposure to and understanding of investment management and interest rate risk management techniques.
- Very good oral and written presentation/ interpersonal skills.
- Hands on P.C. experience.
- Ability to work effectively as a team member.

Applications should be faxed in complete confidence to: Mr. Greg Melnyk, Manager, Personnel Administration, The Bank of N.T. Butterfield & Son Ltd.: (809) 292-2073 before the closing date of 8 May, 1992.

THE BANK OF BUTTERFIELD

The Bank that puts you First.

Trainees for a career in moneybroking.

City-based

One of the world's leading moneybroking companies wishes to recruit trainees for its Money Markets, Foreign Exchange and Capital Markets businesses.

These are excellent opportunities to gain structured training with a view to a successful career in the fast-moving business of moneybroking.

You should be aged at least 19, educated to A-level standard or higher, and able to demonstrate your achievements to date in a business or other challenging environment. To be successful in the moneybroking business you will also need to be tenacious and determined, with good communication skills and an outgoing personality.

If you are interested in these opportunities, please send your curriculum vitae together with a covering letter explaining why you think you would make a successful moneybroker, to Media System, Cloisters Business Centre, 8 Battersea Park Road, London SW8 4BG, quoting ref: 2002/FT on the envelope.

MEDIA SYSTEM

US EQUITY SALES

Competitive salary
London

Prestigious American investment banking firm seeks an Equity Sales Professional to work as part of an existing team. Your brief will involve the selling of US Equities to Continental European investors.

A minimum of two years' relevant sales experience is required and fluency in French is preferable, but not essential. However, lack of relevant language skills must be heavily offset by alternative abilities to warrant serious consideration.

Send a full cv in confidence to: T G West, Managing Director, Ref 499, Associates in Advertising, 5 St John's Lane, London EC1M 4BH. Please state any company to which your application should not be sent.

ASSOCIATES IN ADVERTISING

INSTITUTIONAL RELATIONS AND BUSINESS DEVELOPMENT MANAGER

A leading financial institution in the Gulf region is seeking to employ a suitable candidate for the post of Manager, Institutional Relations & Business Development. The candidate would preferably be aged 28-35 and must have the following attributes;

- a minimum of 4 years correspondent banking and credit analysis experience.
- marketing experience in order to promote the institution products in the region.
- good communication and presentation skills
- fluent in English, knowledge of Arabic is desirable.
- a university graduate.

The remuneration includes an attractive salary and other expatriate benefits.

Please send C.V. to P.O. Box 25826, Abu Dhabi, U.A.E.

INSTITUTIONAL SALES – EUROPE

Our client, one of the world's leading banks, is looking to expand its emerging market eurobond/money market sales capability in Europe through the recruitment of an innovative salesperson with a minimum of two years' experience, to be based in their London office.

The chosen person will join the bank's top rated emerging markets team with responsibility for the distribution of both primary and secondary new issue products. He or she will be primarily responsible for widening the bank's European institutional client coverage.

For this role a combination of strong analytical and communication skills are required in order to be able to convey the more detailed information required by clients investing in emerging market new issue products. He or she will already have a well developed client base in one or more European countries.

This is an ideal opportunity for an entrepreneurial, team-playing salesperson to move over to join a firmly entrenched and expanding team in a growth market. Future career prospects for the chosen individual are considerable, with the potential financial rewards matching the challenge.

To apply, in strictest confidence, please telephone or write to Neil Salt, quoting reference NAS2112.

Salt Chapman Associates

International Search and Selection
Princes House, 36 Jermyn Street,
London SW1Y 6DT.
Tel: 071-434 1319. Fax: 071-434 0835.

Investment Liaison Manager

£30,000-£35,000 pa + car

Our client, the recently created UK fund management subsidiary of one of the world's largest life insurance groups, wishes to appoint an Investment Liaison Manager. The primary task will be to act as a link between the London-based investment management company and the group's UK retail outlets to ensure that those responsible for promoting the various investment products are well informed as to their scope and performance. The job therefore entails considerable emphasis on the making of presentations to those in the field as well as the provision of written material featuring the investment aspects of the products and the maintenance of a telephone advisory service.

The company plans to offer its fund management services outside the group in 1993 and expects the appointee to participate in developing and implementing the product and marketing strategies to meet that objective.

To be considered, you must have a good understanding of investment management gained either through direct experience in a fund management/marketing role or in a professional investment advisory function such as performance measurement. Well developed communication skills are essential and a knowledge of insurance company investment products would obviously be useful. You are likely to be a *graduate in the 25-35 age range.*

To apply, please write enclosing a CV to: IMR Recruitment Consultants, 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW (Tel: 071-872 5447). All applications will be handled promptly and in strict confidence.

IMR

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BARINGS

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Applicants should write, enclosing a curriculum vitae and details of current remuneration package, to:

Sheila Milbank, Personnel Manager,
Baring Brothers & Co., Limited,
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Please contact Timothy Sheffield - Executive Consultant

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP
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Corporate Treasurer

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The BBC has a £1500 million turnover. The role offers the opportunity *to implement a cost effective means of funding the day-to-day operations* and develop the BBC's long term and strategic financial planning at a time when the organisation is undergoing radical change.

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Interested applicants should send a full c.v. to Sue Purnell, BBC, Room 3228, White City, 201 Wood Lane, London W12 7TS to arrive by May 12th.

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Using an integrated accounting system designed for property companies and managing agents, you will be responsible for the supervision and control of the accounts department and the management and financial information produced by it.

Candidates with appropriate experience should apply with detailed C.V. in strict confidence to J. Caplan FCA, David Lewis & Partners, 76 Gloucester Place, London W1H 4DQ, marking their envelope strictly private and confidential.

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The successful applicant will be a qualified accountant, probably aged mid 30's to early 40's, capable of demonstrating a track record of achievement gained in a small to medium sized business. Strong technical ability, enthusiasm and first rate communication skills are prerequisites for the position.

Please apply in writing in the first instance to:

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Reporting to the Finance Director the successful candidate will assume responsibility for the co-ordination and production of all managment, financial and statutory accounts.

Ideally you will be a qualified accountant with 2 years post qualification experience. You should be able to demonstrate proven management accounting, staff management and analytical experience, preferably in a manufacturing environment.

This is an ideal opportunity to develop your skills as a strong number two within a dynamic and fast moving environment.

An attractive remuneration package including executive car, non-contributary pension and life insurance will be offered to the successful candidate.

Please send written details or contact HELEN THOMAS, Human Resources Manager on 0707 665000

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Primary responsibilities will cover all aspects of accounting and financial control for the publishing division. Additionally, the successful applicant will prepare the consolidated group monthly reports, forecasts and audited year end financial statements.

Candidates must be able to demonstrate extensive experience gained in a commercial environment, combined with the ability to work to specific deadlines. Management of staff and good interpersonal skills are fundamental to the position.

Michael Darby,
Associate Director – Personnel
David & Charles plc
Brunel House, Forde Road
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The ideal candidate will be aged 35-50, be a qualified accountant and have gained at least 5 years experience at a senior level in administration, personnel, commercial and legal matters. Experience of the *shipping industry would be an advantage and a robust and outgoing* personality will help to ensure the successful development of contacts in external organisations for the benefit of the company.

Interested candidates should send comprehensive CVs together with salary details to Tony Saw at the address below, quoting reference N6122/3.

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ACCOUNTANCY COLUMN

Six ways to improve the profession's image

By Geoffrey Holmes and Alan Sugden

IT HAS become fashionable for shareholders to blame the auditors when a company suddenly collapses into the arms of a receiver. "Why didn't the auditors give us any warning?" cry shareholders who have just seen their investment disappear down the tubes.

In a research paper on "company pathology" last year, County NatWest found that only two of the 45 listed, USM and third market companies that called in the receivers in 1989 and 1990 had received any qualification from the auditors in their last published report and accounts. In these two cases, one was trivial because it merely referred to an oversight by the previous auditors, and the other obvious, because the company was clearly already in deep trouble.

We suggest there are six issues which deserve attention. First, the present accounting rules give companies too much scope for subjective judgment. For example, why should companies be given the choice between merger accounting and acquisition accounting, which usually produce *totally different outcomes*? And why should UK companies, unlike those in most of the rest of the western world, be allowed almost complete flexibility in deciding how much to provide for deferred tax?

As a result of this "provide as you please" policy and other laxities in our accounting rules, a Touche Ross survey in 1989 found the UK has the *most over-stated profits in Europe*: a factor of 1.28 compared with an average of 1.00, and only 0.88 in Germany.

The second problem is that, despite the ritual of their annual re-appointment at the AGM, the auditor is the hired servant of the directors. If you don't agree, name one listed company where the *auditors* have been appointed, re-appointed or dismissed other than on the recommendation of the board.

The truth is that the external auditor often helps the financial director show his results in the best possible light, taking advantage of all the loopholes.

One important reason why the auditor is keen not to offend the finance director and the chief executive, apart *from wanting to retain the audit*, is the opportunity it gives for providing the client with management consultancy and other lucrative services. Two or three years ago some firms were *boasting that only 40 per cent of* their income came from auditing.

A requirement to disclose any non-audit remuneration paid by audit clients will enable shareholders to see by just how much the auditor is in the directors' pocket. But the question is: should he be in their pocket at all? We believe the second way to improve the profession's image would be to *preclude firms and their associates* from providing any other services to their audit clients.

The third problem is that the auditor only reports once a year, and an awful lot can go wrong in 12 months. A classic case was the manufacturing and entertainments group Parkfield. In January 1990 Parkfield announced interim profits of almost £10m with *earnings per share of 17.7p*, almost double those in the corresponding period a year earlier. Mr Roger Felber, the chairman, stated that the company was "in a strong position to maintain over the coming years our exceptional record of growth in earnings per share".

Six months later the group collapsed with debts of more than £300m after the auditor had declined to sign his report. Had the interim results been vetted by the auditor, the situation *might have been recognised early* enough to stave off disaster.

Another example of differences between interim and audited final results emerged in the recent Petrocon bid for Wilkes.

Interim reports should be audited, notwithstanding the extra cost, and auditors must have a monitoring role throughout the year

In 1989 Wilkes reported a pre-tax profit of £2m for the six months to 30th June, and the chairman proudly drew attention to the rise in earnings *per share of some 85 per cent*.

A different story emerged from a circular to shareholders distributed less than three months later, which gave a profit forecast for the full year *of not less than £2.3m*. It showed that the £2m figure had included a profit of about £1.1m on the sale of a property (a fact not mentioned in the interim statement), for which completion was *not* due to take place until June the following year.

Without that property profit, earnings per share would not have risen by an impressive 85 per cent; they would have fallen by about 10 per cent. To add to the problem, the property deal fell through, so the shareholders never got the benefit even in the following year.

So our third point for giving shareholders more confidence in the auditors would be for interim reports to be *audited, notwithstanding the extra* cost, and for auditors to have a monitoring role throughout the year.

But returning to Parkfield, at the meeting of shareholders to receive the report of the joint administrators and to hear a statement by the ex-directors, two matters were clear. One was that Mr Felber, the former chairman by then residing in South America, had wielded too much executive authority. The other was the open *admission by the directors that the* collapse had taken them by surprise.

So this leads us to our fourth point, that the auditor should be required to comment on the adequacy or otherwise *of the financial information* provided to the board.

A different example of the board being caught unawares was the currency trading disaster at Allied Lyons *last spring, which cost the group* £147m. As Sir Derrick Holden-Brown, the chairman, reported: "The group's auditors have now completed a full investigation into the circumstances and will be *making recommendations* on controls and reporting procedures within the Allied Lyons treasury." A pity it hadn't been part of the auditor's normal duties to do so.

Our fifth point is that auditors should not be the only ones to get the stick when problems are covered up by "smart" accounting. Isn't the finance director just as much to blame? After all, he is responsible for the preparation of the accounts. And what about other qualified accountants on the board? Should they not ensure that the figures give as accurate a picture as possible? Ought they not to have the professional integrity to speak up against financial jiggery-pokery?

Our sixth measure would be for any accountants who are shown to have connived in deceiving shareholders and the market to be publicly rebuked. A start has been made by the Financial Reporting Review Panel in *admonishing companies which* have been caught enhancing their results unduly.

We would like to see the executive and non-executive accountants on the *boards of those companies being* named and, in flagrant cases, being reported to the disciplinary committees of their professional bodies.

Finally, coming back to where we began: the lack of warning that auditors' reports give of impending disaster. Our sixth way to improve the accountant's image would be to require the auditor to draw attention *in his report to items of significance* buried in the notes. This could include changes to accounting policies, the capitalisation of interest and other costs, contingent liabilities of *significant size* (excluding those within the group), and profits taken on sales to joint ventures.

Geoffrey Holmes and Alan Sugden are the joint authors of "Interpreting Company Reports and Accounts". Woodhead Faulkner, h/b £39.95 p/b £18.95.

NEWCASTLE COLLEGE

ADMINISTRATION

DIRECTOR OF FINANCE

Applications are invited for the new post of Director of Finance which is to be filled at the earliest opportunity, but by no later than 1 September 1992.

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Under the terms of the Further and Higher Eduction Act, the College will become an independent Corporate body in April 1993.

The Director of Finance will manage the College's Finance Section and will play a leading role in providing the College with the efficient and effective finance functions which will be required as a Corporate Body. He/she will also be a member of the College's Senior Management Team and will contribute to the achievement of the College's mission.

The successful applicant will be a well qualified professional accountant, with good experience of financial management within a Corporate Organisation, and a sound knowledge of commercial accounting procedures. Good communication and organisational skills, and the ability to manage staff *are considered essential requirements.*

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Application forms and further details are available from the Personnel Office, Newcastle College, Maple Terrace, Newcastle upon Tyne NE4 7SA (tel: 091 273 8866 extn. 2208) to be returned no later than 15th May 1992.

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- Proven commercial negotiator with experience of property/legal matters. Good communicator.
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Please reply in writing, enclosing full cv, Reference BL1749
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This position reports to the Group Financial Controller and is within the small, central, Group Finance Department. It has as its primary purpose the provision to the main board of accurate, timely and comprehensive management accounting and analysis. The position is supported by a small qualified staff.

Candidates, must be graduate qualified accountants, in their thirties. His or her experience should include both relevant headquarters and operating, financial management positions, in a sophisticated, multi-national organisation. Computer literacy, intellectual ability and the interpersonal skills to influence Directors, at both main and subsidiary board level, are also vital. European language ability would be an advantage.

The appointment offers a rare opportunity to join a major plc in a senior, demanding, high profile role. Career prospects are excellent, with promotion to a line finance role anticipated in 2-3 years. Salary £50,000, plus executive car, larger Group conditions and attractive staff benefits.

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Our client is a highly regarded investment banking group which has a truly worldwide presence. An established and results-orientated tax department in London provides technical support to the various operating divisions – taking a proactive stance in the development of new ideas and adding tax value both to the group and its services. Recent years have witnessed a significant increase in the volume of tax advice required by the firm's operations in Continental Europe – with a particularly strong demand in Germany. Consequently a new post has been created in the Frankfurt office to strengthen the European tax department.

The prime function of the role will be the mitigation of exposure to tax (both direct and indirect) in respect of the German operations – and to ensure completion of all statutory returns. There will be substantial involvement with issues relating to securities trading and investment banking activities in Germany, and also with the structuring of new companies/vehicles in line with projected expansion.

Potential candidates will be fluent in German and English and come from one of the following backgrounds:-
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- A qualified tax accountant from the U.K. or Continental Europe with substantial German tax experience
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Ideal candidates will have at least 5 years' tax experience, and will possess a broad knowledge of the securities, banking and commodities markets. This is an outstanding opportunity for personal development within a market lending organisation. The rewards are superb both financially and in terms of progression and career development.

FINANCIAL CONTROLLER

E. Berkshire — **to £40,000 + bonus + car**

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- ☐ Improving minicomputer systems development

The role is headquarters-based, with a fair amount of travel, particularly to the US and Pacific basin. The bonus, which is profit/ performance related was worth c.25% in 1991. Future prospects are excellent

Applications are invited from qualified ACAs with international company audit/tax experience, practical experience of multi-currency operations and a strong systems aptitude. The age indicator is 27 - 34.

Please write, in confidence, to Peter Lewis, LMR, Canada House, 272 Field End Road, Eastcote, Ruislip, Middx. HA4 9NA, enclosing career details.

Line Management Resourcing
Canada House, 272 Field End Road, Eastcote, Ruislip, Middx HA4 9NA
081-866 4400

fmcg

FINANCIAL DIRECTOR

South Wales

c£32,500 + car

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Responsible, through a small department, for the full finance and IT function, the Financial Director will provide financial guidance throughout the company. As a key member of the board he or she will work closely with the Managing Director – determining business strategy and contributing to its achievement.

Likely to be in their early 30s, candidates must be qualified accountants with manufacturing experience and commercial flair. Excellent technical and interpersonal skills are required.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/29/F.

FINANCIAL CONTROLLER
CIRCA 60,000,000 LIRE PER ANNUM

Rapidly expanding, Institutionally owned international tourist services group, with operations in five European countries, requires an accountant\business graduate for Milan based subsidiary. Reporting direct to the London based Group Financial Controller, the successful candidate will have proven experience in a commercial environment and possess the ability to monitor and control all aspects of the accounting function. This challenging role will require the interpersonal skills to liaise with senior operational management and offer the opportunity of regular travel to operational centres in major Italian and European cities. PC computer literacy and Italian language skills are essential.

Letters of application and CV should be sent to:

Box A470, Financial Times,
One Southwark Bridge,
London SE1 9HL.

Senior Finance Manager

Advance Your Career in Financial Services

c £40k + Car + Benefits

Allied Dunbar is the largest unit-linked Life Assurance Group in the UK and the fastest growing Life Company over the last 20 years. We are committed to maintaining this pace of development through an active programme of investment. Funds under management currently exceed £9bn and 1991 post tax profits were £105m.

The Finance Division makes a major contribution to our success through a first class team of financial professionals involved in all aspects of the Group's activities. We wish to strengthen this team further by recruiting a high calibre accountant to play a key role reporting to one of our Accounting Directors. Your initial objectives will be to strengthen the financial support given to the Management Services and Investment Divisions and to lead the further development of our new accounting systems.

The ideal candidate will be a graduate, qualified ACA, aged 29-34, with an excellent academic background and proven track record of achievement to Senior Manager level. A broad professional exposure, strong communication skills and a high level of drive and initiative are essential qualities.

In return, we offer you an excellent remuneration package, including generous relocation assistance, and a real opportunity to progress to director level based on results and performance. But that's not all; equally important is the opportunity to work in an environment which is professional and demanding, yet at the same time informal and supportive.

If this outstanding opportunity matches your own career plan and personal objectives, then you should contact our retained Consultant, Paul Toner. Ring him on 0272 268958 for more details or write to him in complete confidence, enclosing a full curriculum vitae at: Allied Dunbar Assurance plc, Allied Dunbar Centre, Swindon SN1 1EL.

ALLIED DUNBAR

We are an Equal Opportunities Employer

Divisional Financial Controller

Farnborough, Hants **c £40,000**

Our client is a major name in computer services and a dynamic business that builds on over twenty years in the industry. With a turnover of c £120m, a trading record of many years steady growth and fourteen sites in the UK and Europe, the company operates from a position of strength.

This position, as Controller of one of the main operating businesses, is key to the continuing success of the company and therefore only candidates of the highest calibre will be considered. With reporting lines to the main board, this individual will be required to:

* Provide first class day-to-day commercial and financial advice and control
* Review and approve major purchases, sales bids and contracts, and participate in high level negotiations
* Build and maintain close working relationships with senior management in line units and businesses in order to identify and capitalise on commercial and financial opportunities
* Manage proactively the financial reporting process with an emphasis on commercial and timely historical and forecast information
* Oversee and develop an effective team of business accountants.

Suitable candidates will be graduate qualified accountants, aged 35-45. They will have the ability to take a commercial macro view, a demonstrable track record in hi-tech or service industries, experience of contract negotiation and acquisitions, excellent inter-personal skills and accelerated career development to date. Sound computerised systems knowledge is a prerequisite.

On offer is not just a first class remuneration and benefits package (including a fully expensed executive car) but the opportunity to play a vital and decisive role in a company that recognises and rewards excellence.

Interested applicants should forward a comprehensive curriculum vitae to **Anne Wilkie ACA, Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berks SL4 6BW,** quoting ref: ASA.

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Tax Manager

Acquisitive Public Company

London **to £65,000 plus attractive Executive Benefits**

Our client is a FTSE 100 PLC with revenue in excess of £1 billion from its diverse international operations, controlled by a small head office team, and which has achieved outstanding profit and dividend growth.

An exciting opportunity has arisen to join this team with responsibility for all aspects of UK and overseas tax. This requires a 'hands-on' approach to acquisition and disposal planning, reorganisations and international cash and profits flows. Being part of a small team offers exposure to and involvement in other aspects of running the business.

The successful candidate will be a graduate qualified chartered accountant, with good technical, interpersonal and commercial skills and will display a high degree of responsibility, maturity and initiative in their career to date.

For further details please contact **Chris Nelson on 071 831 2000,** or write to him at **Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LH.** At evenings and weekends call **081 785 6191 (ansaphone).**

MP

Michael Page Taxation

Specialists in Taxation Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Finance Manager

London **£ Competitive**

A division of a multi-national company, our client is primarily involved in the provision of value added telecommunications services to businesses.

They now wish to appoint a finance professional who will work with marketing and technical professionals to develop, evaluate and implement new service proposals.

The successful candidate will be a qualified accountant with at least two years post qualification experience within a value added telecommunications services company, ideally in a financial analysis role. During this time, they will have gained a thorough understanding of the technology and the marketplace.

Experience of investment appraisal, the establishment of joint ventures and new companies, as well as a knowledge of taxation and funding is essential. Personal attributes will include strong interpersonal and negotiating skills, together with the ability to manage and drive a highly motivated team.

If you feel that you meet the above criteria, write enclosing a full curriculum vitae to **Hugh Everard, Director, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Financial Controller

West London **c £42,500 + Bonus + Car**

Our client is the UK wholesale and retail subsidiary of a US quoted company, engaged in the marketing and distribution of high quality, branded consumer products. Current turnover of £20m is expected to grow substantially as the company increases its UK market profile.

The current size and future potential of the business demands the appointment of a Financial Controller to design and implement robust accounting policies, procedures and systems which will facilitate stringent financial control and comprehensive management reporting. Key to success in this role will be the ability to work very closely with operational managers, bringing a new financial perspective to the business which maximises profitable growth.

Candidates, aged up to 40, should be qualified accountants, with 'hands on' operational financial management experience gained in a high pressure, change orientated environment. US reporting skills are essential, as are the personal qualities of excellent communication skills, high energy levels and task orientation.

Interested applicants should forward a comprehensive curriculum vitae, quoting ref: 2653, to **Alan Dickinson FCMA, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH. Tel: 071 831 2000.**

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

EUROPEAN AUDIT MANAGER

SW Home Counties **£35,000 plus bonus**

This is a well-established, profitable American manufacturing and marketing group with operations in a variety of markets. It is divided into many operating units, each with its own organization and individual responsibility for product development, manufacturing and marketing. The current turnover of the European operation is $112m.

Expansion in Europe, combined with ambitious growth plans, has created the need for an operational audit manager to ensure that the European businesses meet the parent company's quality standards for financial control, business systems and profitability. This is an acquisitive company and the position will have responsibility for assimilating new businesses into the corporate reporting structure. The position reports to the Corporate Audit Manager in the States. As a new role, it offers an unusual opportunity to develop a high profile career within an expanding, forward looking company. Future prospects within the group are excellent.

Applications are invited from qualified accountants with a strong background in the Profession or relevant experience in industry. Candidates must be fluent in English and German with a good working knowledge of French. You must have outstanding technical ability and be familiar with reporting requirements and the business culture in Europe and America. You must be adaptable, self-sufficient and energetic and prepared to travel extensively.

Interested candidates should write to Vivienne Hines, Touche Ross Executive Selection at the address below, enclosing a comprehensive résumé and salary history, quoting reference 3240.

Touche Ross

MANAGEMENT CONSULTANTS

Hill House, 1 Little New Street, London EC4A 3TR.
Telephone: 071 936 3000.

UK Credit Manager

South Herts **to £30,000 + Car + 20% Bonus**

Our client is one of the world's leading service organisations with operations in Europe, Middle East and Africa.

The international business has undergone significant growth in recent years with turnover increasing from £15m in 1988 to £117m in 1991; this expansion has come about through strategic acquisition in addition to organic growth.

A recent restructuring has seen the UK operations become a more autonomous operating division, and as a result our client is seeking to appoint a UK Credit Manager.

Reporting to the UK Financial Controller this new position will be responsible for the UK customer based credit operation, with an anticipated throughput of £36m this year.

The Credit Manager will be responsible for a department of some thirty staff working through three managers. The key areas of responsibility include:

* Credit rating and the issuing of credit cards, vouchers and other customer credentials.
* Maintenance of the customer database and the rates database
* Collection activities including the resolution of customer complaints and queries which will involve close liaison with the sales and operations functions.

Candidates are likely to be graduates in the 30-45 age range, with a mature man-management style ideally gained in a service industry.

In addition the successful candidate will be able to demonstrate the ability to delegate responsibility in a fast moving environment, yet still retain a well balanced personal style.

For further information please write enclosing a full curriculum vitae (including salary details and day time telephone number) and quoting reference: LN1702 to **Michael Semark at Michael Page Finance, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA.**

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Her Majesty's Inspectorate of Pollution

Head of Finance

Central London
Salary to £37,928
plus performance awards

Her Majesty's Inspectorate of Pollution (HMIP) is responsible for the regulation of the most seriously polluting categories of industry in England and Wales. It has a staff of 350 and an annual budget of £28m. Although currently a directorate of the Department of the Environment, HMIP has many of the features of a "Next Steps" agency, including the operation of cost-recovery fees and charges levied on regulated operators and the operation of memorandum trading accounts. HMIP is expected to become part of a larger Environment Agency, (a Non-Departmental Public Body), prospectively in 1994-95.

These developments have created the need for a new post of Head of Finance who will oversee the overall direction of all financial matters

Based in their Central London headquarters, the successful candidate will be responsible for the further development and operation of the computerised charging system, management accounts, memorandum trading accounts, budgeting expenditure and receipts forecasting, advising on charge levels, management information and performance and output measures. He/she will also be responsible for preparing HMIP's systems for the planned transition to the Environment Agency.

Applicants should be CCAB qualified, with several years' experience gained in computerised accounting systems, and knowledge of government accounting (preferably including "Next Steps" agencies). Some commercial experience would be an advantage. The role calls for the drive and initiative to develop new systems and support management needs, complemented by the necessary authority to represent HMIP at senior levels. He/she will liaise with all levels of professional and administrative staff and have the ability to work to tight deadlines.

Starting salary will be in the range £29,569 - £37,928 including Inner London Weighting of £1,750, with further performance related increments up to a total of £44,474. Relocation assistance up to £5,000 may be available.

For further information and an application form (to be returned by 20th May 1992) write to Recruitment & Assessment Services, Alencon Link, Basingstoke, Hants RG21 1JB or telephone Basingstoke (0256) 468551 (normal office hours). Please quote reference B/93/1586.

An equal opportunity employer.

HER MAJESTY'S INSPECTORATE OF POLLUTION

FINANCIAL ACCOUNTANT

C£25,000 +
FULL BENEFITS PACKAGE

Our Client is a substantial and expanding Service Industry Company with their headquarters in the Watford area. Due to their current expansion they need to slightly restructure their Financial Department and will need a Financial Accountant.

Their ideal candidate must be qualified ACA or ACCA and have work experience within a demand commercial environment. He or she will report directly to the Chief Accountant and have 9 staff controlling nominal purchase & sales ledgers. Innovation, creativity, confidence, ambition, energy and a sense of humour are all essential.

Please write to Andrew Renton with a full C.V. quoting Ref: AA714.

ALASTAIR AMES & *associates*

The Manor House 120 Kingston Road Wimbledon London SW19 1LY
Telephone: 081 542 9101 Facsimile: 081 542 7883

Company Secretary Designate

North of England — Circa £55,000 + bonus + car

This highly successful and profitable British plc has achieved considerable growth in recent years with turnover now approaching £500m. The Group's activities are well focused and continue to prosper in what is a highly competitive sector of industry. There is a strong determination throughout the organisation to increase sales and profitability through organic and acquisitive growth both internationally and in the UK.

There is now a requirement for a talented individual to join a small and professional head office team to make a notable contribution to the further development of the secretarial function.

Working closely with Directors and other members of the executive team, the person appointed will report to the existing Group Company Secretary and will have responsibility for the day to day Secretarial function, including:

- Compliance with statutory Stock Exchange procedures and requirements.
- Shareholder registration, insurance, bank documentation, performance bonds and share option scheme
- Considerable property responsibilities managed direct from head office

The ideal candidate is likely to be working in a Secretarial capacity for another plc or possibly as a practising Solicitor in a substantial law firm. Extensive experience of company law, Stock Exchange requirements and statutory obligations is essential. Candidates should possess a CIS or accountancy qualification in addition to considerable legal expertise - or alternatively may be qualified Solicitors. The person appointed will be expected to contribute as an authoritative team member. The preferred age range is 35-50.

The intention is that the successful candidate will eventually take full responsibility for the secretarial role and therefore candidates must be able to demonstrate their abilities to influence events and play a key role in Group activities.

Interested applicants should write, enclosing a full CV, to Philip Gardiner at the address below, quoting reference number 91210N.

ST. JAMES ASSOCIATES

MANAGEMENT SELECTION

Park House, 6 Killingbeck Drive, York Road, Leeds LS14 6UF Fax: 0532 484852. Telephone: 0532 351007.
A GKR Group Company

Financial Controller

Around £30K equivalent to c. FF300K

Paris

Unilock Partitions Limited, the UK office partitioning market leader and a member of the multinational Yule Catto Group, can offer this excellent new career opportunity within its wholly-owned French subsidiary – Unilock SA. The company which markets and installs partitioning systems manufactured in the UK has recently moved to new premises in East Paris. Sales in France have developed rapidly and amounted to around £10 million in 1991.

Reporting to the French Managing Director, you will join the senior management team and be responsible for the financial control, financial reporting, taxation, treasury, data processing, telecommunications, legal, insurance and personnel functions. It is essential that you are fluent in French and familiar with specialist sub-contracting in the construction industry.

The total remuneration package is designed to attract ambitious and capable individuals who want to develop their career with a successful organisation. Assistance with relocation costs will be available in appropriate circumstances.

Applications should be submitted to:

Frank Breadin, Group Personnel Manager,
Yule Catto & Co. plc, Templefields, Harlow, Essex CM20 2BH

This post is open to men and women.

UNILOCK — A Yule Catto Group Company

International Controller

... Fast Moving Consumer Goods ...

West Surrey

£30,000 to £35,000 + car + bonus

Our client is an American multi-national with a turnover in excess of $500 million. The Company has enjoyed significant expansion through acquisitions and organic growth. Business activities are primarily marketing, distribution and manufacturing of fast moving consumer goods.

As a result of growth and future plans the need has arisen for an exceptional accountant to join a high calibre team. This post is seen as being critical for 'succession planning' and to ensure effective financial control of the overseas operations.

The key elements of the role will be:

(a) Performance evaluation of overseas operations

(b) Systems support for newly acquired companies

(c) Consolidation of monthly results

(d) Development of management information systems to enhance the decision making process

The successful candidate will be a qualified accountant, with experience of an international environment, well developed PC skills and systems exposure. Above all, the applicants must have the *confidence to initiate actions, operate* independently, and possess excellent inter-personal skills. This is an ideal opportunity to develop these abilities within a dynamic, fast moving environment. It is vital that candidates have a strong desire to make a significant contribution as a member of the top management team.

Please write enclosing your CV quoting Ref M152 to: Jon Anderson at Martin Ward Anderson, Lords Court, St Leonards Road, Windsor, Berkshire SL4 3DB.

MARTIN·WARD ·ANDERSON·

INTERNATIONAL BANKING

Our client is a blue-chip International Merchant Bank with extensive worldwide operations. Due to the strengthening of their global presence they now wish to appoint additional team members to both their Corporate Finance and Treasury departments.

CORPORATE FINANCE

To £32,000 + Mortgage + Bonus

The Corporate Finance team is one of the most successful and profitable departments in the City. Unlike many banks, you will be actively encouraged to assume early client responsibility. Deals you are likely to be involved with include: Mergers & Acquisitions, Flotations, Reconstructions, MBO/MBIs and general ongoing strategic and business advice. Promotion depends entirely on individual ability. Suitable candidates will be 24-27 years old, have top quality academic and professional credentials and either be an ACA, MBA, Lawyer or a Strategy/Management Consultant.
Contact Howard Foster.

PRODUCT ANALYSIS

£24-30,000 + Mortgage + Bonus

As an entry point to the Bank, responsibilities will encompass Profit and Risk Analysis, Systems Development and identification of new Operating Procedures and Structures. Product coverage includes Fixed Income, Swaps, FX and Equity Trading. As the role supervises staff and will involve extensive front office liaison, strong interpersonal skills and an understanding of financial instruments are pre-requisites. Applicants will ideally be qualified accountants (all professional bodies considered) although those approaching the final stages of qualification may be considered at an appropriate level.
Contact Lucy Ayrton.

For further information on these appointments please contact either Howard Foster or Lucy Ayrton, day 071-387 5400 (or evenings 0727-55639 or 071-585 3646), or send a copy of your C.V. to them at Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.

We are a large service group, based in London, providing a range of services with an annual revenue budget of £2.5 billion and a 10-year capital budget approaching £8 billion.

Our Central Audit Team plays a key role in helping to ensure that our systems and operations work effectively to serve the public and we are now taking an opportunity to re-shape to meet the challenges ahead.

Director of Internal Audit

not less than £55,000 p.a plus benefits

As Director of this 100+ team, you will report to the Main Board and be responsible for strategic direction, and subsequently directing and controlling internal audit activities for the programmes throughout the Group.

You will determine work plans, system tests, investigations and reports throughout the organisation, after analysis of risk assessments. Special areas of interest include the effectiveness of management controls in devolved operational units, the effect of new technology on revenue gathering, the development and monitoring of profit and cost centres, the control of major development projects and investment project appraisals. Internal Audit is also responsible for formulating IT policies.

This is a key job in a major business. It calls for considerable experience in management of change and offers an opportunity to develop and lead a vigorous professional department. Your background, as well as chartered accountant qualification, will include a significant contribution to one of the major professional firms. The challenge will appeal to high level accountants with commercial/industrial experience, as well as to audit specialists.

In a competitive remuneration package, we offer a car, health care and travel concessions plus an excellent pension scheme.

Please write in confidence, with a full CV, quoting reference L4215/1, to Katherine Banitas, The Response Bureau, Barkers LBW Human Resources Advertising Limited, 30 Farringdon Street, London EC4A 4EA.

Your details will be forwarded to this client only. Please indicate any companies to which your details should not be sent.

Barkers LBW
HUMAN RESOURCES ADVERTISING

CREATE THE FINANCIAL FRAMEWORK FOR HIGH-TECH OPERATIONS PERFORMANCE

Financial Controller — Up to £35K — Sussex

It takes more than technological excellence to become a world leader in advanced electronic systems. It takes exceptional financial ability, too – particularly the ability to analyse and interpret data, and identify ways of improving performance in an increasingly competitive marketplace. That's why our client, a division of a £4 billion turnover organisation, is looking for a Financial Controller of the highest calibre.

Based in Sussex, you will gather, test and analyse a wide range of business data, translating it into meaningful information that our managers can use to make key operational and strategic decisions. This will involve supervising a small team of analysts; monitoring performance; recommending ways to improve results; writing reports – and presenting your findings to management in a clear, analytical way.

Having qualified as a Chartered or Management Accountant you should have at least two years' broad business experience – preferably in an engineering or capital goods environment. *Sound management accounting experience and excellent communication skills* are essential. Your understanding of financial systems architecture must be backed by proven ability to create a reporting system from scratch.

Your working knowledge of PC based leading software (Lotus, Excel) must be excellent. You'll also need good written and verbal French, a hands-on approach to work and the ability to lead and motivate others.

The rewards, like the challenges, are substantial. These include performance related salary increases, BUPA, 5 weeks holiday and relocation expenses where necessary. So if you've got what it takes to excel with a leading force in the electronics industry, please apply, with a detailed CV to: Peter Phillips, Chief Executive, Rada Recruitment Communications, 195 Euston Road, London NW1 2BN – stating on a separate sheet any companies to whom your application should not be sent. All replies will be acknowledged.

Rada
RECRUITMENT COMMUNICATIONS

Price Waterhouse

EXECUTIVE SELECTION

Financial Controller

To £35,000 Telford

Our client is the principal European subsidiary of a major international corporation involved in the manufacture and distribution of electronic equipment and consumer durables. UK turnover was approximately £50 million in 1991 and the company anticipates continued profitable growth in the future.

A Financial Controller is required to fill a newly created post with day-to-day responsibility for a finance department of 25. Reporting to the Head of Finance and forming part of the management team, this individual will oversee the financial and management accounting, treasury and credit control functions, liaising closely with operational departments and corporate Head Office.

The ideal candidate is likely to be a mature and responsible individual with a proactive and 'get on with it' personal style. Already in a similar position of leadership, he or she will have tax and treasury experience, a knowledge of computerised accounting systems and exposure to foreign trade. Evidence of involvement in the strategic direction of a company and a track record of successful team development would be attractive.

Interested applicants should write, with full career and salary details, and quoting reference MCS/8939 to:
Mark Hartshorne
Executive Selection Division
Price Waterhouse
169 Edmund Street
Birmingham
B3 2JB

Finance Director

City c. £60,000-£70,000 + car & benefits

Our client is a commercial law firm with offices in the City and New York providing a full range of legal services to a prestigious UK and international client base. The firm enjoys a high profile for the professional service it provides and its management of sophisticated finance and IT departments. Mindful that its reputation for providing a first class service is built not only on professional expertise but also on the quality of its business support functions, the practice wishes to recruit a Finance Director to lead the existing accounts team and to provide financial management and direction to the firm as a whole.

Reporting to the Chairman and the Principal Executive, the postholder will be charged with maintaining financial strategies and providing overall financial guidance for the firm in relation to its clients, partners and market place. On a day to day basis, he or she will take responsibility for a large accounts team undertaking a diversity of duties. Areas of responsibility will include partnership accounts, client accounting, time recording and billing, client credit and debt collection, payroll, management information and cash flow projections.

Applications are invited from ambitious, graduate chartered accountants who can demonstrate impressive track records of at least five years standing, working in a professional environment. The practice is particularly interested in applications from self-starters who are capable of initiating far reaching financial policies. Leadership, influencing and communications skills are also regarded as essential as is the ability to analyse and disseminate complicated financial information and present it in a meaningful and accessible fashion.

Interested candidates should send an up-to-date CV together with current remuneration details and day and home telephone numbers to Anna Ponton at the address below, quoting reference no. L5555.

KPMG Selection & Search
2-3 Dorset Rise, Blackfriars, London EC4Y 8AE

SIB

A UNIQUE OPPORTUNITY AT THE SECURITIES AND INVESTMENTS BOARD

City

To £30,000 pa + Benefits

At the heart of the financial services regulatory system, SIB is an independent body with wide-ranging responsibility for the regulation of investment business in the UK. We are now offering an attractive new opportunity to gain an in-depth understanding of the financial services industry from within this regulatory framework.

Working as part of an established team, you will have specific responsibility for monitoring those investment businesses directly regulated by SIB. This is an excellent opportunity to widen your horizons, including a chance to apply your investigative and analytical skills in a demanding, professional environment.

To complement our existing team, we are seeking applications from people with investment business experience in the securities, life or unit trust industries. One of the posts demands a Chartered Accountant with several years' experience in auditing/investigations, ideally gained in the financial services sector.

Applicants should have some familiarity with the Financial Services Act and SIB/SRO rules, have an enquiring mind, a mature disposition and a systematic approach, combined with the ability to communicate, both orally and in writing.

To obtain detailed information on these opportunities please contact our retained consultant, Charles Macleod on 071-836 3545, or write to him at Robert Half, Walter House, 418 The Strand, London WC2R 0PT.

ROBERT HALF
THE HUMAN FACTOR

FINANCE DIRECTOR

Aged under 40

East Midlands around £50,000 plus car

This is an exceptional opportunity to make a significant contribution to a complex organisation undergoing a fundamental re-appraisal of its business. The company has a £35m turnover and is part of a £2.5bn British group which has extensive, service-based operations in the UK and abroad (mainly Europe and the USA). The company has a nationwide branch network servicing industrial/commercial customers and the newly appointed Managing Director is leading a comprehensive review of the company's marketing approach and operations. A key ingredient of this process is the enhancement of the finance function to provide a rapid, relevant and reliable management reporting service. The Finance Director, managing an experienced department of about 50 with dedicated mainframe capability, will be responsible for seeing through the programme of change whilst contributing to the strategic development of the business. As well as offering a rewarding set of challenges in itself this appointment will be a proving ground for progression within a Group that is committed to developing a high-profile commercially-oriented finance function at all levels. Applicants should be Chartered Accountants in their 30's, computer literate, with proven experience of developing and implementing high quality financial control systems and meeting tight reporting deadlines. Exposure to a marketing-led business culture is essential and experience in a multi-location organisation would be an advantage. Ref: 1734/FT. Send CV (with current salary and daytime telephone number) or write or 'phone for an application form to R A Phillips ACIS, FCII, 2-5 Old Bond Street, London W1X 3TB. Tel: 071-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

Financial Controller

c.£50k plus benefits

Since privatisation in 1991, the scale and complexity of Hydro-Electric's operations has continued to increase and now, following internal promotion, we are seeking to appoint a new Financial Controller for this progressive plc.

The Financial Controller will report to the Finance Director with direct responsibility for statutory and management accounting and financial control and will also play an important part in business analysis and strategic planning. This is a key role within the corporate financial function which encompasses tax, treasury, finance, insurance, pensions and internal audit activities.

Candidates must be professionally qualified and able to demonstrate experience and ability in all aspects of financial management. Commercial aptitude and an imaginative and practical approach to managing change in a demanding business environment are also very important. It is likely, therefore, that the successful applicant will occupy a senior finance position in his or her present company.

It is important to have first hand experience of the commercial factors that impact upon busness growth and development in a large public company.

This post will be based at the company's headquarters which are currently in Edinburgh but relocating to Perth around the end of 1993.

If you believe you can satisfy the requirements of this senior appointment, please write in confidence with full career and salary details to Monica Gordon, quoting Reference MG 105.

KPMG Management Consulting
24 Blythswood Square, Glasgow G2 4QS

Our client seeks a high calibre accountant with an excellent academic background, up to 3 years post-qualification experience and the communication skills required to relate at senior levels. The successful candidate will have a thorough understanding of commercial issues and a flexible, creative personality; experience of corporate finance would be advantageous.

This is a high-profile, fast-track role, the rewards are excellent.

If you wish to be considered for this position please send a detailed resume to Rabinder Singh, RJA, Premier House, 10 Greycoat Place, London SW1P 1SB.

APPOINTMENTS ADVERTISING

appears every Wednesday & Thursday & Friday (International edition only)

For further information please call:

Richard Jones on 071-873 3460
Teresa Keane on 071-873 3199
Alison Prin on 071-873 3607

FINANCIAL TIMES & ROBERT HALF INVITE YOU TO A FREE BUSINESS BREAKFAST

If you wish to attend this free breakfast please write to Rachelle Nelson at Robert Half, Freepost, Walter House, 418 The Strand, London WC2R 0BR (Telephone: 071-836 3545)

ROBERT HALF
THE HUMAN FACTOR

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

EFFECTIVE NEGOTIATING

Dealing with Difficult Negotiators

on Tuesday 2nd June 1992
At The London Marriott Hotel, Grosvenor Square, London W1 8.15am - 9.30am

Profits are earned because you negotiate for them, not because you deserve them. In the quality-conscious market of the 1990s, a winning product is not always enough. Careful negotiation makes you more effective in getting what you want in a competitive environment and keeps you in the driving seat. Poor negotiators damage good businesses and ruin those in trouble.

Gavin Kennedy looks at negotiating styles and focuses on getting the upper hand of the aggressive and difficult negotiator. His talk will cover:

- Not giving in under pressure - what to do and what to avoid when under attack from a bullying and intimidating negotiator.
- How to cope with negotiators who are covert cheats - how to reveal the 'cheat's' true intentions and protect your own interests.
- How to develop confidence and adopt an assertive style to cope with competitive manipulation.
- Tactics, ploys and gambits - how to neutralise tactical manipulation - applying the Conditionality Principle.

Gavin Kennedy is Managing Director of NEGOTIATE LTD and a Professor at the Esmee Fairbairn Research Centre, Heriot-Watt University. Formerly a Professor in the Dept. of Accountancy and Finance at Heriot-Watt, Gavin also taught at the University of Strathclyde Business School. His books on Negotiating include: "Managing Negotiations" (co-author) (1980), "Everything is Negotiable" (1983), "Negotiate Anywhere" (1985), "Superdeal How to Negotiate Anything" (1986), "The Economist Pocket Negotiator" (1988), "Kennedy's Training Exercises in Negotiation" (1991), "Kennedy on Negotiation" (1992). His books have been translated into Dutch, German, Swedish, Spanish, Chinese, Japanese and Portuguese.

Places at the Breakfast are strictly limited.

GROUP ACCOUNTING ANALYST

City £32-35,000 + car + bfts

This exciting career opportunity is a key appointment within the head office of a £600m turnover worldwide service group.

With all group financial matters co-ordinated from London, the role of Group Accounting Analyst is both varied and demanding. Areas of responsibility include the development of accounting policies and financial reporting procedures, the assessment of potential acquisitions and disposals, financial analysis for senior management and ad hoc projects.

The successful candidate will be a self-starter, aged 26-34, who is technically strong with at least 2 years' post qualification experience, probably within the profession. Working closely with the Group Chief Accountant, the role is both high profile and pro-active. Thus the ability to relate easily to top management is a prerequisite.

For further information please call John Carnell on 071-831 2323. To apply for the position fax your CV on 071-404 5773 or send it to Hudson Shribman, Vernon House, Sicilian Avenue, London WC1A 2QH.

HUDSON SHRIBMAN
financial recruitment

CHIEF ACTUARY AND HEAD OF MIS

Switzerland

A major international Insurance Group seeks a top-calibre Actuary to take worldwide responsibility for co-ordinating and optimising its Group Management Information System. Other responsibilities include Non-Life Actuarial Reserving and Pricing Analysis, as well as coaching Business Units in the usage of the System.

The role requires a very good knowledge of the international insurance business, particularly Insurance Accounting regulations, and of information analysis techniques, with emphasis on Non-Life Actuarial methods. You will be a team player and leader, have a sense of the "big picture", be cosmopolitan and willing to travel. Fluency in English and German is essential. Career development prospects into the top echelons of the Group are excellent.

Please write, enclosing a detailed CV and contact telephone numbers, to Dieter Hemmerling, Unternehmungsberatung GmbH, Fellnerstrasse 5, 6000 Frankfurt-am-Main, Germany
Tel (069 55 03 43)

The Wellcome Trust

Chief Accountant

From £33,000 Central London

The Wellcome Trust is the largest grant-giving charity in the UK supporting general medical research.

We are seeking a qualified accountant to be responsible for the maintenance and management of financial systems and controls of all the Trust's operations. Responsibility for the production of periodic and annual accounts, and for the Trust's taxation affairs will also form part of the role.

The person appointed must have experience in managing a finance team and in the development and use of computerised systems. Personal integrity and leadership qualities are essential.

To apply, please send a written application, including a full cv, together with details of two referees and a daytime telephone number to Miss Jacky Morrissey, Recruitment Assistant, The Wellcome Trust, 1 Park Square West, London NW1 4LJ. Closing date for applications is Monday 11th May 1992.

NO AGENCIES PLEASE.